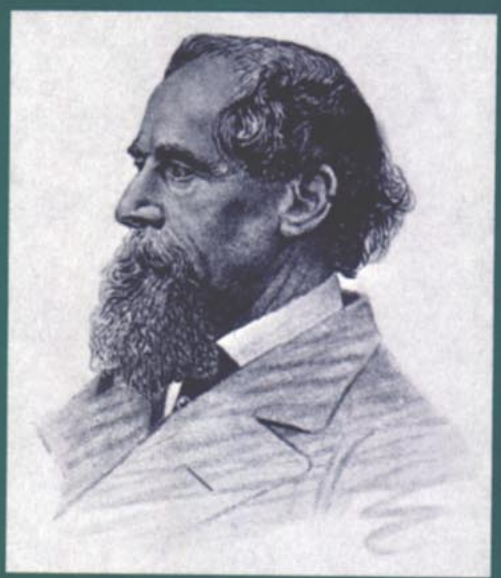
THE FREEMAN

IDEAS ON LIBERTY



Mr. Dickens Was Right

What Is Government Waste?

The Space Program: No Prize

A Level Playing Field

JANUARY 1994

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PERSPECTIVE

Economic Warnings from Canada

Promoters of "free" national health care constantly urge Americans to look north of the border for answers. That is indeed a healthy exercise, as long as you extend the investigation beyond health care.

Consider, for example, the province of Ontario, the hub of Canadian manufacturing and finance. In 1990, when Eastern Europeans were casting off their socialist chains, the people of Ontario elected a government of the New Democratic Party (NDP), a member of the Socialist International.

The NDP quickly announced plans to raise an additional one billion dollars a year by establishing a "minimum tax" for "big business." In the best Orwellian tradition, the socialists established the "Fair Tax Commission" to study the move. But their major initiative, also popular in the United States, was to reclassify the middle class as "the wealthy."

In May 1993, the NDP announced the largest single tax increase in Ontario's history: $1.6 billion in new levies. The socialists also slapped a sales tax on automobile insurance, a mandatory big-ticket item for most citizens.

Ontarians pay a provincial tax rate of 58 percent of their basic federal income tax. But there is a catch. Because the increase, up from 55 percent is retroactive to January 1, the rate for the rest of 1993 was a stiff 61 percent. Further, for those earning over $51,000 a provincial surtax recently rose from 14 percent to 20. For those earning over $67,000 there is an "additional tax-on-tax" that rises to 10 percent from four.

All this comes in a time of recession, when government perks remain high. Remo Mancini was elected to Ontario's Provincial Parliament in 1976. In July 1993 he retired at the ripe age of 41 with a $48,000 annual pension for the rest of his life. Meanwhile, the province's bagmen were looking for still other pockets to pick.

Also in July, the NDP began hinting that the province would start taxing charitable

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contributions at a rate of five percent. The news provoked cries of outrage from some Canadians, who generally like big government but are now beginning to realize its cost and alter their behavior accordingly.

There have been several regional tax revolts, and some predict a national grassroots push like that of California in 1978. Instead of cash increases, Canadians are beginning to ask for more vacation time and other non-taxable benefits.

As noted in the Canadian newsweekly, *Maclean's*, the Toronto-based BarterPlus connects people interested in swapping services. In two years, the organization has more than doubled its membership. "Everything the province does to slow the economy seems to make our phones ring all the more," said BarterPlus president Michael Caron. True to form, the government has imposed a tax on barter services.

Some Canadian economists peg the country's "underground economy" at up to $100 billion a year. Canadians increasingly shop in the United States, where their dollar goes farther, even with an unfavorable exchange rate.

"The effects of a steadily higher taxation is a disaster for the middle class and a potential disaster for society," Nicole Morgan, professor of public policy at Queens University in Kingston, Ontario told *Maclean's*. With the middle class being depleted by taxation, said Morgan, "you can already see the trends to an increase in violence. It doesn't take that much for the social fabric to crumble."

By all standards, Canada should be one of the world's premier economic powers. It is the largest country in the world, with a highly trained workforce and broad industrial base, with every conceivable mineral and natural resource, abundant hydroelectric power, an excellent transportation system, warm-water ports, on both coasts, a tradition of domestic tranquillity, and no foreign policy entanglements. But instead of growing prosperity Canada currently suffers from recession, high unemployment, and a deficit worse than that of the United States on a per-capita basis. The lessons for the United States could not be clearer.

The Canadian experience confirms that state greed remains insatiable. It is that greed that surely underlies many of our own social problems and increasing violence. Statism and its inherently high taxes can reduce even naturally rich countries to economic basket cases. To use a socialist term, the state is guilty of "parasitism."

Canadians often complain that they are being Americanized but in some key areas the reverse seems true. Canada has long maintained government ministries for multiculturalism and has practiced official bilingualism for decades. These are the very policies which the forces of political correctness are pushing for America, along with statist health care and national service.

If Americans adopt Canadian policies they will surely get the same results: recessions, frustration, and increased social tensions. Americans should reject expensive and failed statist models and return to their proven tradition of the free market, limited government, and individual initiative.

—K. L. Billingsley

Sincere Tyrants

Of all tyrannies a tyranny sincerely exercised for the good of its victims may be the most oppressive. It may be better to live under robber barons than under omnipotent moral busybodies. The robber baron's cruelty may sometimes sleep, his cupidity may at some point be satiated; but those who torment us for our own good will torment us without end, for they do so with the approval of their own conscience.

—C. S. Lewis

The Consent of the Governed

To commit violent and unjust acts, it is not enough for a government to have the will or even the power; the habits, ideas and passions of the time must lend themselves to their committal.

—Alexis de Tocqueville

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THE ECONOMIC WAY OF THINKING

PART 4

by Ronald Nash

Sooner or later, any introduction to the economic way of thinking will have to discuss the major economic systems: capitalism, socialism, and the mixed economy. My brief analysis of the idea of the market in the third part of this series provides a helpful way of getting into our subject for this month. One way of thinking about capitalism is to see it as the economic system that recognizes the importance of the market and that seeks to protect free market exchanges from harmful governmental interference and control. In its classic sense, socialism is the name we give to that economic system that seeks to replace the freedom of the market with a group of central planners who exercise control over essential market functions. There are degrees of socialism in the real world. But basic to any form of socialism is distrust of or contempt for the market process and the desire to replace the freedom of the market with some form of centralized control. So-called mixed economies (another name is interventionism) differ from socialist economies only in degree.

Dr. Ronald Nash is Professor of Philosophy and Theology at Reformed Theological Seminary in Orlando, Florida. His 25 books include Poverty and Wealth *and* The Closing of the American Heart: What's Really Wrong With America's Schools, *both published by Probe Books.*

The Two Means of Exchange

An excellent way of clarifying the essential difference between capitalism and socialism is noting that there are basically only two ways in which anything may be exchanged. Economist Walter Williams calls them *the peaceful means of exchange* and *the violent means of exchange.*

The peaceful means of exchange may be summed up in the phrase, "If you do something good for me, then I'll do something good for you." When I place an order in my local McDonald's, I am in effect saying that if the store does something good for me (gives me the food I'm requesting), then I'll do something good for it (give it my money). When capitalism is understood correctly, it epitomizes the peaceful means of exchange. The reason people enter into a market exchange is because they believe the exchange is good for them. They take advantage of an opportunity to obtain something they want *more* in exchange for something they value *less*. Capitalism then should be understood as a voluntary system of relationships that utilizes the peaceful means of exchange.

But exchange can also take place by

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means of force and violence. In this violent means of exchange, the basic rule of thumb is: "*Unless* you do something good for me, I'll do something *bad* to you." This is the operating principle for thieves and robbers, and, some would add, for the Internal Revenue Service as well. It is also the controlling principle for socialism.

Socialism means far more than centralized control of the economic process. Socialism requires the introduction of coercion into economic exchange in order to facilitate the goals of the elite who function as the central planners. Even if we fail to notice any other contrasts between capitalism and socialism, we already have a major difference to consider. One system (capitalism) stresses voluntary and peaceful exchange, while the other system depends on coercion and violence.

An Objection

Socialists in the West often object to the last point. (Of course, the multitudes who suffered under socialism in Eastern Europe and the former Soviet Union know the point is true.) Many socialists in nations like the United States would like us to believe that there is a form of socialism, not yet tried anywhere on earth, where the controlling ideas are cooperation and community; and where coercion and dictatorship are precluded. Either these people are confused or they have a secret that they want kept from the rest of us. These utopians ignore the fact that however humane and voluntary their socialism is supposed to become after it has been put into effect, it will still take massive amounts of coercion and theft to get it started. Voluntary socialism is a contradiction in terms. Whatever else socialism is, it means a centralized control of the economy made possible by the use of force. Socialism epitomizes the violent means of exchange.

Additional Features of Capitalism

As we have seen, capitalism is a system of voluntary relationships in which people exchange on the basis of the peaceful means of exchange. But we can add more detail to this general picture. For one thing, capitalism is not economic anarchy. It recognizes several necessary conditions for the kinds of voluntary relationships it recommends. One of these is the existence of inherent human rights, such as the right to make decisions, the right to be free, the right to hold property, and the right to exchange what one owns for something else. It is encouraging to hear Boris Yeltsin and other former Marxists in Russia declaring that they now recognize the fundamental importance of these rights.

Capitalism also presupposes a system of morality. It does not encourage people to do anything they want. There are definite limits, moral and otherwise, to the ways in which people should exchange. Capitalism should be regarded as a system of voluntary relationships within a framework of laws which protect people's rights against force, fraud, theft, and violation of contract. "Thou shalt not steal" and "Thou shalt not lie" are part of the underlying moral constraints of the system. Economic exchanges can hardly be voluntary if one participant is coerced, deceived, defrauded, or robbed.

There is no mystery as to why existing national economies fall short of the capitalist ideal. Deviations from the market ideal occur because of defects in human nature. Human beings naturally crave security and guaranteed success, values not found readily in a free market. Genuine competition always carries with it the possibility of failure and loss. Consequently the human preference for security leads people to avoid competition whenever possible, encourages them to operate outside the market, and induces them to subvert the market process through behavior that is often questionable and dishonest. Most often, this subversion of the market finds people seeking special advantages from government, which is one of the unavoidable consequences of socialist and interventionist economies.

The best way to mitigate the effects of evil in the human heart and the subsequent pursuit of unlimited power is to disperse and decentralize power. Because of its reliance

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on markets, capitalism is the only one of the three economic options that decentralizes economic power. The necessary reliance of socialist and interventionist economies upon state power leads inevitably to the greater consolidation of economic and political power in the hands of a few. The combination of a free market economy and limited constitutional government is the most effective means yet devised to impede the concentration of economic and political power in the hands of a small number of people. Every person's ultimate protection against coercion requires control over some private spheres of life where he can be free. Private ownership of property is an important buffer against any exorbitant consolidation of power by government.

What About "Monopolies"?

But, some will ask, doesn't capitalism lead to monopolies, the concentration of wealth and power in the hands of a few private individuals and companies? The truth is that it is not the free market that produces monopolies; rather it is governmental intervention with the market that creates the conditions that encourage monopolies. The only real monopolies that have ever attained a high degree of immunity from competition achieved that status by governmental fiat, regulation, or support of some other kind. Governments create monopolies by granting one organization the exclusive privilege of doing business or by establishing *de facto* monopolies through regulatory agencies whose alleged purpose is the enforcement of competition, but whose real effect is the limitation or destruction of competition. More attention needs to be given to the ways in which America's infamous nineteenth-century "robber barons" were aided by special privileges granted by government.

Why Socialism Fails

The miserable performance of socialist economies is no accident. There is a fundamental reason why socialist economies do not work, and that is because *they cannot work*. The reason socialism can never work is because it is an economic system that makes economic calculation impossible. Without free markets to set prices, without the constant stream of information supplied by changing relative prices in a market economy, socialists can never attune production to human wants. Without free markets and the vital information they supply, economic activity becomes chaotic and results in drastic inefficiencies and distortions. The great paradox of socialism is the fact that socialists need capitalism in order to survive. Unless socialists made allowances for free markets, which provide the pricing information that alone makes rational economic activity possible, or monitored the pricing information available from capitalist economies, socialist states would have collapsed more quickly than they did. Anyone who doubts this can quickly learn the truth by visiting countries like Russia or Cuba.

The Mixed Economy

Many people are attracted by the possibility of an economic system that would fall somewhere between capitalism and socialism, that would—they think—combine the "best elements" of each. Interventionism or the mixed economy results from the mistaken belief that governmental intervention in the economy can successfully achieve good results while still falling short of the total controls that characterize a socialist system. An interventionist economy is supposed to be a workable third alternative to the freedom of a market system and the total state control of a socialist system. The state, interventionists believe, interferes with the market process in order to attain some desirable social goal, such as a more "equitable" distribution of wealth or jobs or positions. For anyone wanting an example of an interventionist economy, one need only look at the U.S. economy. For those seeking examples of how interventionist economies fail, one need only look at the U.S. economy.

In reality, interventionism turns out to be

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a system in which government interferes with the normal operation of the market in order to alter the terms of trade in ways that benefit some at the expense of others. Interventionism occurs when one group invites government to enter the process and change the rates at which exchanges take place. This may assume the form of price controls or tariffs or other forms of coercion. Of course, advocates of interventionism never explain that this is what interventionism really is. Instead, they talk in lofty moral terms about the importance of certain social goals and how those goals can only be attained if government intervenes in ways that will counterbalance the selfishness of some in order to bring about the good of all. But in the long run, interventionism always results in the large majority of people being worse off. Interventionist controls fail because whenever government intervenes in the market (as through rent controls in New York City, for example), private owners and entrepreneurs react in ways that thwart the objectives of the politicians and those they are trying to advantage. The exorbitant price of housing and the substandard condition of the housing that's left for the poor are inevitable by-products of liberal politicians playing interventionist games with the housing market.

But whenever liberal economists and politicians are confronted by the failures of interventionist economic controls, they always have a predictable response. The failures of the mixed economy are judged to show that previous controls did not go far enough; what is necessary is more interference with the market, not less. In other words, it is always the market process and never interventionism that receives the blame for failure. Through this remarkable sleight of hand, past failures are never regarded as grounds for abandoning interventionism. Rather the mistakes of the past are used as justification for even more controls in the future. More attention should be given to the clever but immoral way in which liberals and radicals blame capitalism for what are in truth the failures of economic interventionism.

Free Exchange versus Coercion

The alternative to free exchange is coercion and violence. Capitalism is a mechanism that allows natural human desires to be satisfied in a nonviolent way. Little can be done to prevent human beings from wanting to better their lot in life. What capitalism does is channel that desire into peaceful means that benefit many besides those who wish to improve their own situation. □

A Lesson from the Past: The Silver Panic of 1893

by Lawrence W. Reed

Last year marked the 100th anniversary of the beginning of the second greatest cyclical depression in American history. Businesses collapsed, banks closed, unemployment soared.

Previous interpretations and analyses of the silver controversy and its tragic aftermath have been incomplete. In *A Lesson from the Past,* Lawrence Reed weaves sound economics and history into a fascinating, instructive narrative as he details the inevitable consequences of intervention in the free market by government monetary authority.

The Silver Panic, says the author, "has left many lessons for those who will listen. For the believer in the free economy, these lessons add up to a compelling indictment of government's alleged ability to 'manage' a nation's economy."

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MR. DICKENS WAS RIGHT

"'If the law supposes that,' said Mr. Bumble . . . ,
'the law is a ass—a idiot.'"
—*Oliver Twist* (1838)

by Ridgway K. Foley, Jr.

Charles Dickens' disdain for law and lawyers was well known, well founded, and sharply pervasive. Mr. Tulkinghorne and Uriah Heep provide spirited examples of wretched men performing vicious acts, and even Sidney Carton displays unpleasant and unlovely traits despite his heroic martyrdom for his beloved. The system fared no better: *Bleak House* portrays the epitome of greed, delay, and destruction in a juridical system conceived to afford speedy justice. Thus, when the great nineteenth-century novelist urges the unfortunate Mr. Bumble to utter his dictum of frustration, readers 150 years later recognize the depth and ferocity of Dickens' contempt and concern.

English law and the English legal system *had* deteriorated into little pockets of malevolence, spite, and injustice in the first half of the nineteenth century. Dickens' early days as a reporter and observer, and his father's experience with the tender mercies of debtors' prisons, may have colored the writer's opinion, but those experiences, observations, and feelings were neither incorrect nor necessarily overstated.

Are we able to discern any significant improvement in things legal and judicial a century and one-half later? Is the law approaching the goal of just resolution of disputes in a free society, or is it still "a ass, a idiot"? On my first day in Property class thirty years ago, a little Boston-Irish professor with a droll sense of humor addressed us thus: "Gentlemen. Dickens says that the law is an ass; try not to make it more of an ass than it already is." Unfortunately, my generation did not heed Richard Kelley's wry wisdom: we and the rest of the American political/legal/social structure have created an ass of gargantuan proportions, one which shows scant signs of going on a diet of rationality and good sense.

Do I overstate my case? I think not, and my suspicion is fueled more by experience and observation than by rough "lawyer jokes" which have recently replaced "blonde jokes" and "Polish jokes" as the enlivener of dull parties. To support my thesis, I dredge the following three examples not so much from a fevered or fertile mind, as from the dregs of the daily and legal press (augmented by courthouse gossip) where they reside for all to see but few to contemplate.

First case. In a drug-infested urban neighborhood pockmarked by commonplace gunfire, a denizen of a rented house sometimes used for the illicit drug trade fires at his enemy. He misses his target, but the bullet strikes and kills a sleeping baby in a neighboring home. The nineteen-year-old gun-

Ridgway K. Foley, Jr., is an attorney from Portland, Oregon.

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man—owner of a record of violence stretching back almost a decade—expresses the usual remorse, pleads guilty to manslaughter charges, and receives a prison sentence of eighteen months, soon to be shortened by overcrowding and putative good behavior. Restitution? Don't be silly! He has spent every dollar he can beg, borrow, or steal (did someone mention work?) on his form of high living and self-destruction.

The grieving parents of the unintended victim vent their understandable anger by a lawsuit—against the absent and uninvolved owner of the property from which the fatal shot was fired. Amid allegations of "landlord's liability" and high moralizing about "duties to society," let us look at the real world.

Assume that the owner knew that his property might be used for illegal activities. Could he refuse to rent to tenants who disobeyed the law? Of course not! Could he dispossess tenants who had been convicted of a crime? Haven't you heard about anti-discrimination laws that force us all to love even the unlovable and dangerous? Could he have complained to the police? As a matter of fact, he had in this case, as had his neighbors, all to no avail. After all, the police receive scant help from the community and virtually none from the legislative, judicial, and other political branches of government. Indeed, in many blighted urban areas, the politicians and police have invented a fools' gold called "community policing," which recognizes the failure of the state to carry out the single task for which it is (theoretically) fitted.

In fact, the landlord could do nothing to prevent the crime, yet he was chosen to pay for the wrongs of another, evil deeds the law absolutely barred him from preventing. And, by the way, why did the victim's parents avoid legal responsibility? Why didn't they complain to the authorities about the drug house, if drug house it was? Why didn't they organize community cleanup and neighborhood watch programs? Why didn't they move from a danger zone? Why didn't they purchase first-party insurance covering life, health, and disability?

Second case. The scene shifts downtown to City Hall. Actually, "City Hall" constitutes a mere figure of speech in most of our metropoli: government buildings abound, costing untold millions to maintain. In any event, a city planner bent on the city business of planning ordinary folks out of house and home mounts a city vehicle and, while driving down a city street in a decidedly and habitually reckless manner, runs over an elderly woman who is insufficiently fleet of foot to avoid the careening car.

Outraged, the victim's ancient spouse and her surviving grandchildren bring an action against the city planner and his employer, the city, for wrongful death caused by his negligent acts committed in the course and scope of his city employment.

Guess who pays? All of you who selected "Uncle Pungle" a/k/a innocent, hardworking, and sober taxpayers, step up and claim your gold star!

Does the drunken planner pay? Don't ask silly questions in class. Chances are his assets are shielded by law and, in any event the city has furnished him with "first dollar" liability insurance coverage. He doesn't even pay any premiums. Another city-owned vehicle will be furnished to him while the accident damage is repaired. He will draw his city pay—generally in excess of the market rate for comparable services—during discovery, trial preparation, and trial. The city-paid insurance will provide the lawyer and the legal defense and, if the victim's family receives a final judgment, the insurance policy will pay the indemnity. If the judgment exceeds the policy limits, the city will make up the difference.

But surely, the unreconstructed ("deconstructed" might be more apt in the land of political correctness) will say, this careless and reckless city planner will at least suffer the loss of his position or some strict employment-related penalty. Visit the real world. In most venues, it is highly unlikely that any municipal administrator would try to punish for such an incident. Any attempt at discipline, even of a habitual offender, will meet with legal barriers which protect public-employee rights and virtually assure

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that no diminution of salary or loss of position can occur. In addition, powerful union support will tether any supervisor so bold as to chastise the errant planner. In short, his position remains secure, his pension vested, his power untrammeled.

As for the employer-city's vicarious liability, it is identical—with one significant exception—to that which plagues the private businessman or woman under the failed doctrine of *respondeat superior* (the employer, or "master" in the common law, is responsible for the civil wrongs of his employee, or "servant," committed within the course and scope of his employment). The employer must bear the burden of all liability for his employees' actions which are related to the workplace—in most instances even if those actions are intentional and malevolent.

There is one marked difference between public and private employers in this circumstance: *The public body does not pay any of its own money to recompense a wrong.* Thus, the public employer does not even suffer a deterrent akin to that which encourages the private employer to take more care. Public institutions produce nothing; they take and receive; they do not create and produce. "Public funds" constitutes a misnomer: All funds, assets, and property owned by a public institution derive from value created by individual effort and coercively removed from the creative individual. Thus, when the city buys insurance for the reckless planner, and when it pays indemnity for his actions, it is using funds taken by compulsion from the unwilling and uninvolved citizenry; since it possesses no property of its own, it cannot expend its property in payment of any debt or judgment. Thus, the costs of the wrongful death in this example are visited upon men and women who have no role in the cause of the accident and no choice in the matter of payment.

Third case. A brouhaha periodically arises concerning governmental funding of artistic endeavors under the auspices of various and sundry arts commissions. There exist many of these fund-spenders, at virtually every level of government. They masquerade under manifold brands and appellations, and many of them receive significant endowments from the federal government. They share a common attribute: They are governmental or quasi-governmental bodies possessing the power of compulsion.

Each intermittent flap exhibits a common thread. Angry senators or councilors rant and rave across the aisle: Senator Tweedledee objects to the payment for obscene, vulgar, prurient, and blasphemous sculptures and drawings; Senator Tweedledum arises ponderously in favor of "freedom of expression" and the need for "diversity." When the forces of semi-decency obtain a beachhead, the arrogant administrator or director of the commission walks out with great fanfare, proclaiming victory for the forces of reaction. He proceeds directly to the lecture tour and/or publishes a book, pontificating in public about those who decry absolute license, seething because he feels that he has been mistreated and misunderstood, and moaning that culture has been cast backward into darkness.

Judging by newsprint and television, few if any constituents grasp the fundamental issue which demonstrates the vapidity of Tweedledee, Tweedledum, and the administrator/director: *No government has any legitimate business spending a sixpence on any kind of "art," or upon any like project!* I personally agree that much of what is currently at issue could not be said to represent "art" in any traditional sense, and that a great deal of it is odious. But that is not the point: The point is simply that anyone who wishes to draw dirty pictures should be permitted to do so, but he most decidedly should do so without forcing you, or me, or anyone else to support his enterprise. The vaunted right to free expression does not encompass the right to compel others to fund that expression.

Of course, the artistic imbroglio will not end here, precisely because no one in authority will center on the crucial issue. Often, some disgruntled "artists," peeved that their "work" has been passed over for prizes and payment, sue the sponsoring or responsible governmental body for recom-

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pense. All too often, these cases are settled and, as in the instance of the negligent city planner, the unhappy but hardly starving artist will be paid with monies taken by compulsion from unwilling and innocent taxpayers.

Why Has the Law Regressed?

A parade of horribles is just a horrible parade unless we make meaning out of it. Why has the law declined and deteriorated from a promise of justice to an object of scorn? Why, in a time of "great progress," if we believe the pundits, has the law regressed or at least failed to improve since Mr. Dickens wrote *Bleak House* and *Oliver Twist*?

Since the law writ large has become a bit of a bad joke, perhaps we can find a glimmer of an answer in the comic strips. In his clever satire "Pogo," Walt Kelly occasionally had his little swampland creatures announce that, "We have met the enemy, and they is us!" I suggest that we commence our quest for the answer to our inquiry from that guidepost. Perhaps we can pass the fault around like a piece of birthday cake.

"Law," in the sense under consideration, refers to "positive law," rules and orders issued by a sovereign state, controlling or sanctioning its inhabitants. It remains to another day to analyze "Law" in its Natural Law meaning, and to measure the positive law against the Natural Law and the promise of the common law. For purposes of this exposition, we limit law to its positive law connotation since it is there that evil dwells.

Far from being some majestic projection from above, law arises from, and reflects, the society it governs. In its best sense, it develops to serve the needs and desires of that society, and it performs the useful functions of settling disputes, channeling conduct, establishing necessary rules of order, and preventing/punishing aggression. Law is not some arcane and mystical god apart from the inhabitants of a state; it is born and bred by those very inhabitants, and it partakes of the failures and successes, the evils and the promises, of that society. Given that fact, Pogo's aphorism seems appropriate: the law is an ass because we whom it is to serve have caused it to be an ass, and have fed it sufficient rubbish that it has grown into a very grand ass.

Examine some of the trash which sustains this law which we now deride.

First, a prevalent behavior of envy and greed prevails throughout all the land: Envy of the successes of another and his just rewards, and a greedy predilection to take by "legal force" that which another created and possesses. The vast majority in the United States covet constantly: they covet their neighbor's wife, his automobile, his home, his job, his income, his success. They envy him those things, and they have found a neat little way to take them away from him, and to bring him down a peg in the bargain. They gather with like-minded envious and greedy souls, they gain control of the political apparatus, and they pass laws which enable them to take from others that which they covet. If the owner objects, the law will sanction him: after all, you can't argue with the law. And, of course, it is much simpler to do evil deeds anonymously, under the mask of the law.

Second, the concomitant decline and disintegration of any substantial moral standard has turned the Western World topsy-turvy. Commandments eight and ten of the Decalogue have long admonished us not to steal or covet; most of the world's long-standing religions have similar tenets. Now it is fashionable to steal and covet constantly, although we do not call it that when we operate under the shadow of the law. The abolition of any serious standards calls to mind a need to invoke the curse from the service of commination (a recital of Divine threats against sinners) in the traditional *Book of Common Prayer: "Cursed is he that removeth his neighbor's land-mark."*

But the deconstruction and disintegration of moral values devour far more than some old-fashioned rules against theft and envy. Rather, the Occidental world more and more resembles those parts of the Middle and Far East in the accepted vision of human worth. The Western tradition val-

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ued—at least by lip service—each individual human being. Each man, woman, and child was a creature of intrinsic worth, and each life was a gift never to be taken lightly. In the United States, for example, we fought our bloodiest and most costly war in an attempt to eradicate the legal concept that one man might *own* another! Thus, the essence of human nature, the ability to choose meaningfully, was revered and protected by the law. This is no longer so. Some odd concept of an organic social order has become an overriding good to which mere individuals may be sacrificed with impunity, for the "greater good of society" of course. Individual human life declines in value with the deconstruction of classical moral values and traditional standards.

Third, man's inability or unwillingness to reason has increased with frightening speed. At a time when know-nothings prattle about "the best educated society in the history of the world," far too many of us refuse to make the effort to think for ourselves. It is much easier, in a culture dominated by fools and drugs, to leech off the past for material wants and to absorb the output of a national television addiction in place of cognitive activity. The result is frightening: Pre-reflective thinkers pass on misinformation or disinformation until it becomes adopted and cherished as common wisdom. No one dares or cares to tell the emperor that he forgot to put on his trousers. Society begins to resemble the mob to which it can so easily degenerate: Each person or sector repeats the lie of common wisdom in more shrill and grim tones, until the din becomes unbearable and any who would argue the issue is damned as a knave or a fool. And, in a society quickly losing its grip on the essential worth of the individual, it is a short hop to casting dissenters into the pit, or burning them at the stake, or, as is more likely today, to "re-educating" them by use of drugs, electric shock, peculiar group therapy, and other revisionist training spectres. Nothing like a little shunning, mockery, or torture to abort dissent or protest.

In summary, the law reflects its society. In a world gone mad with concepts of egalitarianism and entitlement, it is small wonder that the legal system has substituted grab bags and histrionics in place of any concept of equal treatment and reasoned justice. In a nation which has inculcated generations with an abhorrence of personal responsibility, it would be surprising indeed if the law imposed liability only upon causative actors possessing a real opportunity to alter the course of destiny and avoid harm to another.

Given this state of affairs, one might pray that the literary wraith of Mr. Dickens would bring forth a late twentieth-century version of *Oliver Twist* or *Bleak House* and thus ridicule us into recognition that the law—and our society—has become something base, homely, and impure. But would we read and heed the lesson of such a scribe? □

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THE FREEMAN
IDEAS ON LIBERTY

SHOULD THE GOVERNMENT KILL PEOPLE TO PROTECT THEIR HEALTH?

by Robert Higgs

If you were suffering from a serious disease, would you prefer (a) that you and your doctor decide how to treat your ailment, selecting from all existing medical goods the ones that offer the best combination of benefits and risks, or (b) that you and your doctor select from all medical goods except those—probably the most promising ones—that a low-level government employee in Rockville, Maryland, has decided to withhold from you? The answer is obvious. Rational people would never consider themselves better off because their range of choice had been arbitrarily limited.

Yet such restriction of consumer choice, affecting both patients and their physicians, fetters consumers at all times in the United States. The Food and Drug Administration (FDA) alone decides whether a newly devised medical good (either a drug or a device) may be sold. Many potentially beneficial goods remain on the shelf for a decade or more while their manufacturers traverse the rigid and elaborate testing process required by the FDA before it will approve marketing. While innovative medical goods run the bureaucratic gauntlet, people who could have benefited from their use suffer and die unnecessarily.

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Flawed Rationales

Defenders of the government's actions insist that, without the FDA's regulations, greater harm would occur. Consumers would suffer from the toxicity or adverse side effects of unsafe products, or they would squander their money on useless remedies. Consumers can avoid these injuries if they are permitted to use only medical goods that have met high standards of safety and efficacy by passing successfully through the FDA's required testing. In testimony before a Congressional committee an FDA official said:

> The allegation has been made that the cost to our society to prevent a thalidomide-type tragedy far exceeds the benefits of a regulatory system developed to prevent such a tragedy. We disagree. We believe that benefits which accrue to society be-

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> cause of our regulatory system are worth the cost and far outweigh any risks.[1]

The statement, which expresses the agency's standard line, is remarkable in at least five ways.

First, it uses the most notorious medical tragedy of modern times to illustrate what, presumably, the FDA's regulation routinely prevents. The presumption is indefensible. Except in a freakishly unlikely case, one may not reasonably assume that an unrestricted manufacturer would sell a medical good giving rise to a "thalidomide-type tragedy." Besides their ethics, manufacturers have good financial reasons, including product liability judgments and loss of consumer confidence, to be careful about what they place on the market.

Second, the statement stands alone, without any attempt to demonstrate that the lives saved and the suffering prevented exceed the lives lost and the suffering endured as a result of the FDA's regulation. It is merely a naked declaration, which the audience presumably should accept because it emanates from the self-proclaimed "experts."

Third, the statement speaks of the benefits and costs of the regulation as if they were experienced by society at large rather than by specific individuals who differ enormously in their personal valuation of the costs and benefits and in their willingness to bear risk. It rests upon the unspoken assumption that a single rule should apply in all cases, mocking the actual heterogeneity of people's preferences and medical conditions.

Fourth, the statement confidently declares "*we* disagree" and "*we* believe" while describing the balance of benefits and costs experienced by others. But only specific individuals can possibly know whether the benefits *to them* outweigh the costs *to them*. Neither the benefits nor the costs can be objectively assessed by third parties; nor may the benefits and costs experienced by many individuals be aggregated into total or "social" valuations and thereby made comparable. There is no common unit of account in which the aggregation may be made. Who knows how to measure the depth of one person's fear, the breadth of another's relief?

Fifth, the statement presumes an answer—the wrong answer—to the question posed by AIDS activist and FDA critic Martin Delaney: "Who should decide which risks are acceptable—the bureaucracy in Washington or the patient whose life is on the line?"[2]

The Regulator's Incentives

The people who make decisions at the FDA respond to incentives just as people do elsewhere. The bureaucrats prefer to advance in their careers; they do not want their incompetence or blameworthiness to be exposed. In their circumstances, FDA examiners may err in two different ways: Type I error, the examiner does not approve a product that is safe and efficacious; Type II error, the examiner approves a product that is not safe or efficacious. Naturally the examiners want to protect themselves from criticism arising from their commission of errors.

The examiners' incentives to avoid a mistake, however, differ greatly for the two types of error. As a former FDA inspector described the situation:

> Any time you approve a new drug you're wide open for attack. If the drug turns out to be less effective than the original data showed, they can nail you for selling out to a drug company. If it turns out to be less safe than anybody expected, some congressman or a newspaper writer will get you. So, there's only one way to play it safe—turn down the application. Or at least stall for time and demand more research.[3]

Because of such demands for more research, new drug applications now commonly consist of two or more volumes of summary data and as many as 100 volumes of raw data—sometimes more than 100,000 pages altogether.[4] Although such heavyweight requirements help an FDA examiner to "play it safe," they often result in much

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avoidable suffering and many deaths among the patient population awaiting access to the good.

Unfortunately, the news media, members of Congress, and self-described consumer advocates almost never hold the bureaucrats responsible for these "invisible" or "statistical" deaths. Hence the cost of a single bureaucrat's career insurance may be, and in some cases surely has been, tremendous sacrifice of human health and life.

Lives Saved, Lives Lost

Consider, for example, that from 1963 to 1973 "the FDA's doors were essentially closed to cardiovascular drugs,"[5] even though cardiovascular disease was the leading cause of death in the United States and rapid advances were occurring during those years in pharmaceutical therapies. Beta-blockers, an especially valuable class of drugs, awaited FDA approval for a decade after they were first used abroad. Dr. William Wardell, a professor of pharmacology, toxicology, and medicine at the University of Rochester, estimated in 1979 that a single beta-blocker, alprenolol, which had already been sold for three years in the strictly regulated Swedish market, could have saved more than 10,000 lives a year in the United States.[6]

Other examples given by Wardell include "years of delay in the availability of at least four respiratory drugs (metaproterenol, terbutaline, cromolyn sodium, and beclomethasone inhaler)" that caused "severe disadvantages to many asthma sufferers" as well as a "six-year lag in the availability of valproate, in particular, and the continued absence of nitrazepam" that "substantially reduced the treatment options for epileptic patients."[7] Lithium carbonate, an effective drug for the treatment of manic-depressive disorder, was used in 40 countries before its approval by the FDA.[8] A 1980 study by the U.S. General Accounting Office (GAO) examined 14 therapeutically important drugs introduced in the United States between 1975 and 1978. The GAO analysts found that only one of the 14 had become available first in the United States. For the others the lag in availability ranged from two months to 13 years.[9]

Astonishingly, the FDA has given little or no weight to foreign evidence of product safety and efficacy. Nearly all new drugs and devices have been forced to pass through the same rigid, expensive, and time-consuming testing procedure in the United States even though a product might already have been used successfully for years elsewhere.

Economists Henry G. Grabowski and John M. Vernon of Duke University have made many studies of the pharmaceutical industry. Considering the results of their own research along with the findings of other studies comparing the experience of various countries, they concluded that "U.S. citizens have experienced sizable forgone health benefits from regulatory-induced delays in obtaining beneficial new drugs while obtaining relatively modest benefits in the form of less exposure to drug toxicity."[10]

Perhaps the most damaging consequence of the FDA's regulation since 1962, when the testing requirements were made much more rigid, elaborate, and time-consuming, is the slowdown in the rate of innovation. In view of the high costs of securing FDA approval to market new products, many manufacturers conclude that otherwise promising R & D projects will not be profitable. As a result beneficial new drugs and devices are never created. Suffering and death that might have been prevented continue unabated. Of course, since the innovations never come into existence, hardly anyone appreciates that they have been sacrificed on the altar of regulation.

Destroying the Rule of Law

The "rule of law" means much more than the requirement that the legislature authorize an exercise of power by the executive branch of government. As classical liberals understand it, the rule of law requires that the law be clear and understandable, that penalties for violations be predictable, and

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that the law be applied equally to everyone, including members of the government. The FDA's actions, though broadly sanctioned by legislation, fail to satisfy these criteria. In stark violation of a genuine rule of law, the FDA's actions are frequently arbitrary and capricious—sometimes even blatantly unconstitutional, as when they restrict freedom of speech and the press.

In the medical device industry, where the FDA has conducted a jihad during the past two years, manufacturers remonstrate that their cited violations of the agency's Good Manufacturing Practice (GMP) regulations often arise because the regulations are vague: "Even companies that genuinely try to comply fully with US GMPs can find themselves cited for violations."[11] Companies whose products are esteemed by customers have been forced to stop production because their paperwork did not satisfy the regulators.[12]

The Health Industry Manufacturers Association (HIMA) has complained that the FDA "has not made clear the type of data it wants to see."[13] Therefore, companies must make a series of information submissions, hoping that something will satisfy the regulators. Sometimes the FDA requests one type of study, then changes its requirement and requests another type after the company has completed the first one.[14] HIMA director Alan Magazine describes the device approval process as "a giant guessing game."[15]

Supplicants can expect no reliable guidance by asking the FDA what is required. The agency does not respond to inquiries expeditiously; when it does respond, the response often lacks substance. Moreover, after years of countermanding the informal advice given to regulated parties, it recently announced that it would no longer be bound by its own formal advice.[16] Indeed, the head of the FDA's Drug Surveillance Branch has stated:

> We used to say that if a company made certain changes, then we would probably not take any action. Now, we won't. Now, even if they make the changes, they might end up in court. We want to say to these companies that you don't know when or how we'll strike. We want to eliminate predictability.[17]

That a "civil servant" would make such a statement is stunning.

Recourse to the courts, which is costly, time-consuming, and full of uncertainty, holds little promise of protection in view of what Wardell has called "the extreme vulnerability of the industrial firm that argues with the FDA."[18] Without a search warrant, the FDA may inspect a company's plant and records at any time. Because the regulations are so numerous and so often vague—eight volumes of the *Code of Federal Regulations* contain those currently in force—inspectors can always find "violations" if they want to. In short, the agency possesses the power to destroy a company at will—to retaliate for past resistance or to make an example—by closing down the firm's operations or seizing its property.

So much for a genuine rule of law.

The Ugly Face of Paternalism

There is a place for paternalism. It is in the family, where young children are incapable of making wise decisions for themselves and where a parent, linked to the children by bonds of love and responsibility, may normally be relied upon to decide what is best for them. But when paternalism becomes a form of government, when the individual freedom and responsibility of competent adult citizens are suppressed in favor of exclusive decision-making by a central planning board, no one should expect a healthy outcome.

For more than half a century, Americans have been forbidden to make important decisions regarding their own health, decisions upon which each individual's life and death depend. Of course, we have been assured by those who wield the power that they act only in our best interest. But anyone who makes even a superficial study of the FDA, its regulations, and its congressional overseers quickly discovers that the official line is far from the truth. This gov-

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ernment agency, like all the others, is a political institution, swayed by the ceaseless quest of its leaders for position, publicity, power, privilege, and perquisites, all associated with a big budget and a far-reaching agenda.

It is a mistake to suppose that the FDA acts—or even attempts to act—so that, all things considered, suffering and loss of life are minimized. Instead, responding to the asymmetrical incentives created by the reactions of the news media, certain members of Congress, and so-called consumer advocates, FDA officials systematically strive to avoid Type II errors while disregarding Type I errors. Not relishing the negative publicity sure to follow their approval of medical goods that later cause harm—even relatively slight harm—they adopt the role of obstructionists, requiring ever more stringent, expensive, and time-consuming testing before allowing goods to reach the market. That avoidable suffering and death routinely occur while they drag their feet and protect their careers does not sway them, because hardly anyone holds them accountable for the harm caused by their Type I errors.

But change may be in the wind. Lately, in the wake of the AIDS epidemic, politically organized and media-savvy people have begun for the first time in large numbers to indict the agency for its one-sided policies and to make their voices heard. Martin Delaney, Jim Corti, and their comrades, by immense efforts, finally induced the FDA to hasten the availability of promising new drugs to AIDS sufferers.[19] The *Wall Street Journal*, with its huge and influential readership, has made its editorial and opinion pages available to critics of the FDA. There James P. Driscoll, representing Direct Action for Treatment Access, charged that the FDA "condemns people with AIDS and cancer to die waiting." Woodrow Wirsig, an Alzheimer's activist, reproached the agency because "it cannot act on drugs used safely and effectively in Europe for decades" and thereby "dooms thousands to unnecessary suffering and death."[20] Dr. William W. O'Neill, director of cardiology at a Michigan hospital, lamented that "many patients are being harmed because we are unable to treat them with devices that can be potentially lifesaving."[21] Perhaps eventually such voices will reach beyond the *Journal* to be heard and heeded in Congress.

Until then, however, the deadly toll will continue to mount. The FDA will go on causing untold suffering and thousands upon thousands of unnecessary deaths—killing people to protect their health. □

1. Quoted by David Seidman, "The Politics of Policy Analysis," *Regulation* (July/August 1977), p. 31.
2. Quoted by Jonathan Kwitny, *Acceptable Risks* (New York: Poseidon Press, 1992), p. 211.
3. Quoted by Milton Silverman and Philip R. Lee, *Pills, Profits, and Politics* (Berkeley: University of California Press, 1974), p. 251.
4. Henry G. Grabowski and John M. Vernon, *The Regulation of Pharmaceuticals: Balancing the Benefits and Risks* (Washington: American Enterprise Institute, 1983), p. 23; David Leo Weimer, "Safe—and Available—Drugs," in *Instead of Regulation*, ed. Robert W. Poole, Jr. (Lexington: Lexington Books, 1982), p. 250; Seidman, "The Politics of Policy Analysis," p. 25.
5. William Wardell, "More Regulation or Better Therapies?" *Regulation* (September/October 1979), p. 26.
6. *Ibid.*, pp. 28, 33.
7. *Ibid.*, p. 27.
8. Silverman and Lee, *Pills, Profits and Politics*, p. 244.
9. U.S. General Accounting Office, *FDA Drug Approval—A Lengthy Process That Delays the Availability of Important New Drugs*, HRD-80-64, May 28, 1980, p. 68.
10. Grabowski and Vernon, *The Regulation of Pharmaceuticals*, pp. 46–47.
11. *Clinica* 544, March 24, 1993, p. 14.
12. Bruce Goldfarb and Doug Wolfberg, "Feds Focus on Medical Devices," *Journal of Emergency Medical Services* 17 (July 1992), pp. 45–47; Rami Grunbaum, "Physio-Control Pushes to Revive Itself," *Puget Sound Business Journal* 13 (October 23–29, 1992), pp. 1, 45; *Clinica* 529 (December 2, 1992), pp. 13–15.
13. *Clinica* 543, March 17, 1993, p. 13.
14. *Clinica* 521, October 7, 1992, p. 12.
15. "F.D.A. To Toughen Testing of Devices," *New York Times*, March 5, 1993, p. A18.
16. *Clinica* 528, November 25, 1992, p. 12.
17. Quoted by Murray Weidenbaum, "Pharmaceutical Regulation and Productivity Challenges," *Occasional Paper 113* (St. Louis: Center for the Study of American Business, September 1992), p. 3.
18. Wardell, "More Regulation or Better Therapies?," p. 27.
19. The full, fascinating story is told by Kwitny, *Acceptable Risks*.
20. Statements of Driscoll and Wirsig as printed on the editorial page of the *Wall Street Journal*, February 16, 1993.
21. O'Neill, letter to the editor, *Wall Street Journal*, March 9, 1993.

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THE FREEMAN
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WHAT IS GOVERNMENT WASTE?

by William H. Peterson

Is the "waste tax" a tool for coming to grips with runaway federal spending?

The waste tax is a newly advanced idea of Citizens Against Government Waste (CAGW), a non-partisan nonprofit Washington-based educational organization with 500,000 members led by syndicated columnist Jack Anderson and businessman J. Peter Grace of W. R. Grace & Company. CAGW sees government waste as a kind of an unlegislated tax—a heavy, counterproductive tax, in the hundreds of billions of dollars each year.

The waste-tax idea should generate discussion in America. Just how do you define government waste? How do you know it when you see it? *Waste* as a verb is defined in *Webster's Ninth New Collegiate Dictionary* as "to spend or use carelessly . . . to allow to be used inefficiently or become dissipated." But do these definitions mean that a government which is careful or efficient— admittedly unusual qualities in any government—cannot at the same time still be wasteful? Consider, for instance, the federal government efficiently computerizing its vast Social Security operations. Or serving as the benign protector of jobs by carefully stopping or impeding foreign goods at customs points in ports and terminals. No waste in either example?

CAGW's case against government waste is well taken. Its waste-tax idea can provide a helpful public perception of the deficit problem. In the early 1980s Mr. Grace served as President Reagan's chairman of the Private Sector Survey on Cost Control, popularly known as the Grace Commission. In 1984 the Commission came up with 2,478 cost-cutting recommendations, the implementation of which would have saved taxpayers an estimated $424.4 billion over three years and prevented the buildup of trillions of dollars of additional national debt by the year 2000. President Reagan pushed these recommendations but Congress permitted only some of them. So the waste tax grows.

But government itself has been growing in real terms and well beyond the rate of population growth ever since the New Deal, notwithstanding various attempts to leash this dangerous dog. The Grace Commission seems to have been modeled after two earlier Hoover Commissions. President Truman appointed ex-President Herbert Hoover to chair a waste-finding Commission on the Organization of the Executive Branch of the government in 1947–1951. And President Eisenhower named Hoover to head up a second commission for the same purpose from 1953 to 1955. Splendid studies made news as they spouted forth from both Hoover Commissions. But to little avail. Like Topsy, government just grows. And grows wastefully.

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What is waste? Consider Milton Friedman's Washington "iron triangle" of organized interests, affected bureaucrats, and overseeing legislators perpetuating all manner of wasteful schemes—schemes such as paying farmers not to farm, continuing to maintain military bases that the Defense Department itself says are unneeded, or spending "only" $500,000 to convert the North Dakota home of late bandleader Lawrence Welk into a national shrine (although Congress did back off that last boondoggle after a public uproar).

Still, do the official and unofficial views of government waste go far enough, especially in the face of a $4 trillion national debt? Isn't there guidance on waste in Thomas Jefferson's thought that that government is best which governs least, in Thomas Paine's thought that society performs for itself almost everything which is ascribed to government?

What Is ROGIS?

With 32 out of the last 33 federal budgets in deficit and virtually no prospect of getting a tourniquet on the ongoing hemorrhage of red ink, does it not make sense to at least contemplate getting hold of waste through not only cost-cutting and the waste tax idea but through a redefinition of government itself? At a time when government takes on program after program, with national health insurance looming, is it not time to discuss and tackle the proper role of government in society, the acronym of which is ROGIS (role of government in society)?

ROGIS should figure big in Washington, but it doesn't. Is there a politician anywhere who asks: Why government in the first place? What is its purpose, especially in the light of the U.S. Constitution? Is it really the purpose of government to manage timber forests and "save" the spotted owl? To establish minimum wages and maximum hours? To achieve "balance" in the workplace in terms of representation by blacks, women, Hispanics, and assorted other groups? To look after small business? To care for the homeless? To institute rent control? To dispense pensions and medicine to the elderly? To issue food stamps? To run schools? To put up public housing? To foster, however inadvertently, an underclass? To aid the Hottentot and practically the rest of the Third World? To serve as a global policeman in a New World Order? And so on. Aren't there alternative ways, including privatization, to accomplish these ends?

Waste is essentially a function of overblown government, of the state playing god, of being all things to all Americans, of misusing its taxing power to demand and command wealth—and thereby inevitably messing up, wasting resources, expanding the deficit.

So shouldn't we talk up ROGIS and ask ourselves: Didn't our Founding Fathers come up with a fine social compact of government, i.e., the checked and balanced U.S. Constitution, and try to seal its *limited* nature with the Ninth and Tenth Amendments? Weren't these two strategic amendments largely undone especially in the twentieth century by liberal U.S. Supreme Courts who construed the Constitution as a "living document"? And isn't there wisdom in the vision of Jefferson who, in his First Inaugural Address (1801), called for: "Still one thing more, fellow citizens—a wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned." □

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THE FREEMAN
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THE MORAL ASPECT OF THE PROTECTIVE TARIFF

by David Starr Jordan

Every argument for and against the protective tariff has been stated a thousand times. There is nothing new to be said. But at the bottom of every argument remains the necessary recognition of its primal iniquity. The fundamental idea in American polity is that of a square deal to all men, each standing on his own feet, with exclusive privileges or governmental aid to no man and to no class of men. Inequality before the law, entail, primogeniture, church control of state, state control of church, class consciousness, and class legislation were evils in English polity which our fathers would not tolerate. On account of these they left England. They chose the hardships of Plymouth Rock and later the hazards of war rather than to put up with any of them. If there is one American idea or ideal to be segregated from the rest it is this of equality before the law. And it is this ideal which is violated absolutely and continuously in the theory and in the practice of the protective tariff.

The protective tariff is a device for enhancing the home price of the articles it covers by a tax on commerce, by forcing the body of citizens to pay tribute to producers at home. To these the State in futile fashion tries to guarantee "a reasonable profit." These producers may be capitalists or directors of industry, or they may be the laborers who contribute effort only, without responsibility for the way in which effort may be applied. It matters not whether capitalists or laborers, either or both actually profit at your expense or mine or that of foreign producers. The protective tariff intends that they should thus profit, at least to a reasonable degree. But in the theory of our republic it is no part of the State to guarantee to any one "a reasonable profit," nor to protect any one from a reasonable loss. its function is to see fair play and freedom of operation. It is a breach of the principle of equality before the law that the State should do anything more. To guarantee any one a reasonable profit is to do so at the expense of the rest. The theory is one of injustice, whatever its result in practice. In practice, whatever is gained on the one hand is lost on the other. Even if we could force foreigners to pay the tariff taxes, which is sometimes possible, their capacity as buyers is correspondingly decreased. International trade is barter, and every burden it carries works a corresponding loss to both parties in the transaction. Moreover, as a matter of fact, the protective tariff yields little gain to the laborer, because continued immigration brings him new competitors and because he

David Starr Jordan (1851–1931), a scientist and educator, was the first president of Stanford University, serving from 1891 to 1913, and as chancellor, 1913 to 1916. Among his books were The Human Harvest *and* War and Waste.

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is in his turn one of the general public who suffer from the commerce tax. If wages are raised by the tariff, so is the cost of living, and the cost of living comes first. For the director or employer of labor, the case is, on the whole, not much better, because the cost of his product is enhanced by the tariff taxes on everything which enters into his process of manufacture. In so far as a tariff is successful in gaining profit, it is so because it is virtually prohibitory. That the evils of prohibitory tariffs are so little felt by us is due to the fact that our country is a world in itself, with untaxed trade throughout a district comprising nearly a third of the specialized production area of the globe. Yet within this favored area, with all its vast range in competition, it is possible sometimes to monopolize production in some particular direction. Such a monopoly we now call a trust. To the development of such monopolies the tariff naturally lends itself, though it would be unfair to declare it to be the parent of all trusts. It is enough to recognize that its general purpose is the same—the development through legal means of industrial and economic monopoly, of the enrichment of a class or of a group of classes at the expense of the citizens at large. This is theoretically contrary to American polity. If the principles of our republic in regard to "equal justice to all, exclusive privileges to none," are right, then the theory and the practice of the protective tariff are wrong. That it works through the method of indirect taxation disguises but does not justify its injustice.

The prohibitory tax on importable products is said to have brought its justification in the ultimate lowering of price of the articles concerned. The same claim is made in behalf of the trusts, and much evidence is brought forward in both cases to justify this claim. But the real cause of the reduction in price is seldom traceable to the trust or the tariff. Doubtless, for example, iron is cheaper in this country under a high tariff than it once was without the tariff. But the cheapening of all metals, protected and unprotected, is held to depend on the advance of the science and the arts of metallurgy. The cheapening of gold, a metal out of the range of tariff, is due to improved processes of contraction, and the change threatens to subvert the monetary basis of the world's credit and trade. Metals which have been cheapened in the United States have been similarly affected in England. It is not clear that the tariff in this matter holds any important relation of cause to effect. Nor would the general policy of taxing one group of men, or even one generation for the benefit of the next, be justified if it were so.

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David Starr Jordan

The Greater Evil

The tariff is defended on the ground of the value to the growing nation of the advancement of infant industries—of the development of diversified economies. We may not deny the importance of such development. We may admit that at many places and for definite periods there has been a financial gain to the community at large, through taxing the farmer to build up the manufac-

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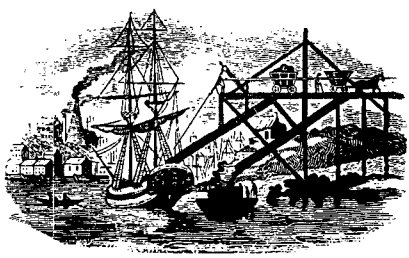
turer. We may admit that nation building has been hastened by it. But for all that it is not politically right nor just to do this, for the gain to one has gone with loss to others. The policy in practice assumes the form of a vested right which becomes in time a vested wrong. But even if we admit the past value of protection, the greater evil comes when we cannot let go. Around these vested rights other conditions grow up, and a change of any sort works havoc with related or associated interests. Justice to the new interests becomes possible only by the perpetration of varied forms of injustice. To touch the tariff in any way now sends a shock through the financial world, throughout the body politic. Tariff revision in our day is therefore an operation which can be based on no principles. It is a blind rush among various choices of evils. To put revision in the hands of friends of the tariff means still suppression of reform, the further extension of the evil itself. To put revision into other hands means a commercial crisis. And sooner or later commercial crisis must come. The only permanence lies in making tariff taxation like other taxation, a non-respecter of persons, its sole function that of raising revenue. Justice is always blind, knowing nothing of indirect or ulterior advantages.

Historically, the theory of the infant industry has proved fallacious. There are in America today no infant industries. These infants have grown more rapidly than the nation has. Our huge industrial combinations overshadow the world. Just as in their alliance they dominate us, in similar degree they have the whip hand over other nations. If anything American can take care of itself, it is our infant industries. Yet these organizations demand the tariff as a necessity of existence as insistently as ever they did. They exact tribute from all of us, because they can get it. The lull in the self-assertion just at present is due to the handwriting on the wall, not to any lessening desire to be fed at the public expense.

The actual injury to American prosperity traceable to the tariff may not be enormously great. It has doubtless been exaggerated. It lends itself to exaggeration. It makes us angry when we think of it, and wrath carries always a magnifying glass. Its greatest evil is moral, not economic. It lies in the perversion of our theories of government, the introduction of the idea of class enrichment through legislation.

National Meddling with Individual Rights

Doubtless much of the prosperity of the United States is due to the protective tariff—the prosperity of some of us. But in like degree the non-prosperity of some of us, some of the very same persons, for that matter, is due to the same national meddling with individual rights. The apparent prosperity of any community could be greatly enhanced by taking property away from half the people to put it into the hands of the others who know better how to use it. Some of this sort has lain at the foundation of British polity. It is the theory by which nobility and aristocracy justify themselves. It is not the theory of democracy. It is not the principle on which our nation was founded. Thus, behind all discussion of sources and means of prosperity the fact remains that democratic justice, that fundamental equity between man and man, can never be realized in America so long as any trace of the protective tariff remains on our statute books. It is another illustration of the truth that "they enslave their children's children who make compromise with sin." This law applies to economic lapses, to time-serving legislation, as well as to moral sins. □



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THE FREEMAN
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We Need Free Trade in Deed as Well as Word

by Gary M. Galles

Much of the economic success of the early United States was due to the fact that the Constitution not only restricted the federal government's ability to hurt some citizens for the benefit of others (e.g., the takings, tax uniformity, due process, and equal protection clauses), but also abolished states' attempts to take advantage of each other through restrictions on interstate commerce (the famous commerce clause). The result was the world's largest free trade zone. Everyone benefited, as neither the state nor federal government could impose extra burdens on mutually beneficial trades just because shipments originated across a state border.

Since then, despite the overwhelming empirical and logical evidence in its favor, free trade has been demoted from a central organizing principle for our society to one that now mostly commands lip service. Free trade, whether it is GATT, NAFTA, or some variant being discussed, still wins all the rhetorical battles. This is understandable because, after all, those countries with freer trade enjoy more personal freedoms and grow faster, and it is at heart nothing more than the simple, self-evident proposition that people who participate in voluntary trades must expect to benefit as a result, regardless of one's trading partner's citizenship.

However, when it comes to actual policy details, even moves touted as toward free trade (e.g., NAFTA) are replete with restrictions (compare the length of NAFTA with how much space it takes to say "All trade barriers between the signatories will be eliminated according to the following schedule.") Here, free trade is sacrificed to the political power of concentrated producer interests, as politicians claim to favor it in general, but oppose it in each particular case for some other reason, so free trade becomes "fair," "balanced," or "managed" trade in practice.

Why do politicians and their supporters claim to favor free trade, yet are so easily drawn to "but this, that, and the other" excuses for protectionism? Because virtually everyone favors a one-sided, narrow, self-interested commitment to free trade.

Each of us supports fewer restrictions on our ability to advance our own welfare. This means we want free trade when it comes to selling our own output, deciding how to produce that output, and for those who

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would sell their output to us, because such changes benefit us through higher sales prices and lower costs. However, it also leads almost everyone to support restrictions on their competitors, because that also benefits them. The difference is that both parties involved gain from freer trade, but the beneficiaries of restrictions gain at an even greater cost to others, who are forced to make do with inferior alternatives as a result.

Needed: A Commitment to Principle

We talk of commitment to free trade, but resort to restrictions in practice because our commitment to narrow self-interest exceeds our commitment to principle. There is always something, whether it is the trade deficit, unemployment in a particular industry, self-sufficiency, or national defense, which provides political cover for such self-serving actions.

Much of our soaring "free trade" opposition to others' restrictions (and free trade rhetoric is one of our leading exports) springs not from commitment to its demonstrated social benefits, but because those eased restrictions will line our pockets, and free trade sounds better than "gimme money." But when free trade threatens the wallets of protected interest groups, support for American restrictions to assure "fair" or "balanced" trade or environmental quality suddenly blossoms, because that also sounds better than "gimme money."

Free trade creates wealth. We should favor opening others' markets, because that would benefit both their consumers and more efficient American producers, by breaking the political strangle-hold of their protected domestic producers. But free trade is beneficial for Americans just as it is for others, and helping uncompetitive American companies cheat American citizens by restricting their access to foreign products they prefer convicts us of the same crime we indict others for.

Until we teach people that free trade creates wealth from otherwise latent human abilities and that the cumulative effects of the myriad of largely obscure restrictions make almost every person worse off (those most wrapped in the government's protective cocoon, such as labor unions, which have been given monopolistic power through labor laws, may force stiffer competition, but to call the reduction of unwarranted restrictions "unfair" would strain the meaning of the word), we will never even distantly approach the ideal of free trade. But, in Richard Weaver's immortal phrase, "Ideas have consequences." It is only by conforming our ideas to the truth, and by defending that truth wherever it is challenged, that free trade and liberty in general stand even a small chance of being reinvigorated. □

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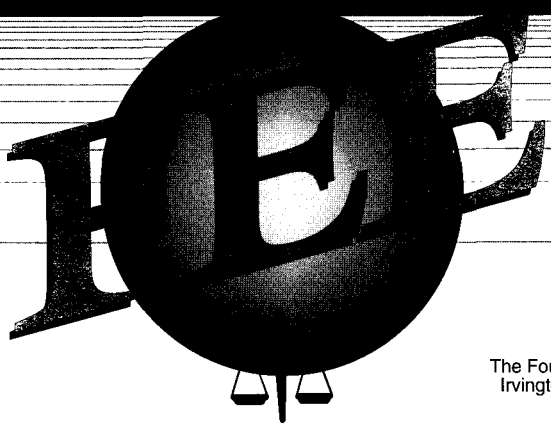

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January 1994

Political Clergy

Christian churches always have played a critical role in all matters of social constitution, including the economic affairs of man. Their economic teaching guides the thoughts and deeds of the believers acting individually, in groups, or in a body politic. It may find its way into economic legislation, which may shape and reshape the economic system and thereby affect the economic lives of everyone.

Most churchmen continue to profess the basic values which undergird our traditional private property order, commonly called the capitalistic system. Yet two major intellectual church movements, the "Social Gospel" and the "Liberation Theology," never tire of criticizing the traditional order. The former was spearheaded by eminent theologians such as Karl Barth, Emil Brunner, Reinhold Niebuhr, Bishop G. Bromley Oxnam, and many leaders of the World Council of Churches. It left its distinct mark on economic legislation from the late nineteenth century to the middle of this century. During the 1960s and 1970s, it was gradually overshadowed by the "liberation theology" movement that is dominated by Catholic theologians in Latin America and the United States. The undisputed leader and most penetrating thinker of this school of thought undoubtedly is Gustavo Gutierrez who in 1971 authored a book under the title, *A Theology of Liberation.*

Few observers would disagree with the stated objectives of these movements. Both seek justice, mercy, and neighborly love for all people in a compassionate society. Unfortunately, both choose means that are utterly incapable of realizing those objectives. *Both would take a road that was built by politicians, is patrolled by judges and policemen, and leads in the opposite direction: to brute power, injustice, and violence.*

The Social Gospel is a political program that would place most economic decision-making in the hands of legislators and regulators. It teaches that the shortage of goods and services is not natural, but rather manmade, and that a few laws and regulations, compassionately enacted, could immeasurably improve the living conditions of the people. Social gospelers openly advocate political coercion if it promises to accomplish their political objectives. Always unhappy about the private property order, they devise countless reform plans for society and call on politicians to enact them. They fervently pray to God that He may guide the agents of government and give them courage and strength to enforce the reforms. Some even address their petitions directly to the president of the United States and the U. S. Congress, while rarely, if ever, mentioning the Maker and Creator of all things.

Liberation theology builds on two key communistic notions: the Marxian doctrine of class struggle and the Leninist doctrine of international colonialism and dependency. Its most popular theme is a relentless and highly rhetorical condemnation of capitalism, which is blamed for much poverty in the world. The individual enterprise order, Liberation theologians are con-

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vinced, leads simultaneously to the creation of great wealth for the few and dismal poverty for the many. Since the Church receives protection from the wealthy classes, the Church becomes part of the condemnable system.

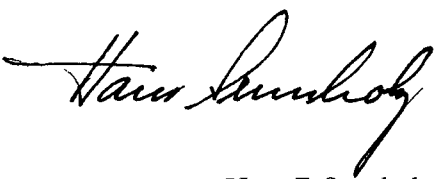
Liberation theologians in Latin America and the United States readily agree with Marxian revolutionaries everywhere that the poor countries of the world need to be liberated from the exploitation system. They may disagree with the revolutionaries on the measure of violence by which the common goal is to be accomplished, but agree with them that capitalism must be abolished. Blinded by Marxian doctrines and prejudices, they misjudge and misinterpret economic reality.

No visitor to Latin America can overlook the fact that economic life is far from capitalistic. Government intervention hampers every phase of economic production and distribution. Politicians and bureaucrats, together with the armed forces, lord it over the people, regulating and manipulating economic activity to bolster their political power and feather their own nests. The actors may change with each administration, but the system always remains the same. A fascinating book, *The Other Path*, by the Peruvian economist Hernando de Soto, is a loud indictment of the present system and a powerful plea for the "informal" order, which is the market order.

Substantial income differences, in the judgment of many clerics, reflect a perversion of the natural state and a denial of the fact that God has created the earth for all mankind. "The earth belongs to all" epitomizes their central theme. Economic differences are believed to result from exploitation of the weak by the strong, by landed estate owners who rent their land to tenant farmers, capitalists who transfer their funds out of the country, speculators who earn inordinate profits, multinational corporations which pay low wages in less-developed countries, and many greedy businessmen. Liberation theologians call on Christians to remedy the injustice of inequality through collective action. They need government because of the magnitude of the problem; they need international cooperation for international wealth transfers to redress worldwide inequality and injustice. Throughout the world, they call for "bold transformation" and "innovation," even if this necessitates coercion and expropriation.

While the churchmen are speaking of peace, they are sowing the seeds of violence. While they are demanding economic equality in the name of nature, they are ignoring the God-given differences in individual ability and productivity. Their charges and allegations are unlikely to elicit Christian compassion and brotherly love; instead, they are arousing resentment, indignation, hatred, and violence. They are breeding envy, which is one of the seven deadly sins. In fact, fueling envy and covetousness, they are doing harm to personal responsibility and industry and thus making matters worse.

When churchmen give moral legitimacy and intellectual validity to resentment and envy, they stoop to the level of demagogue-politicians who are ever ready to lead a cause which enhances their popularity with the voters. While politicians seek votes, power, and largess, clergymen may act from fear about the loss of disciples and believers and, therefore, may seek their approval by surrendering to their fashions and follies. They are quick to run with the crowd in order to lead the crowd, or they may despair about the erosion of traditional values and beliefs and, therefore, search for a new role for themselves. Unfortunately, the new role not only may lead them into unfamiliar territory but may also cause them to betray the very values they vowed to uphold.



Hans F. Sennholz

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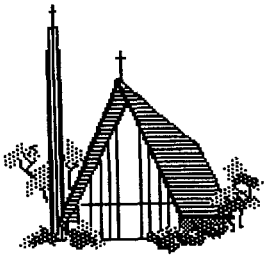
If there's moral validity to free-market economics, why do so many clergy fail to understand it?



A study of theological and seminary faculty conducted by the Roper Center in 1982 revealed that 37% of the respondents felt "the United States would be better off if it moved toward socialism." Nearly half of them favored the redistribution of wealth (as opposed to its creation) as a better way to meet the needs of the poor.

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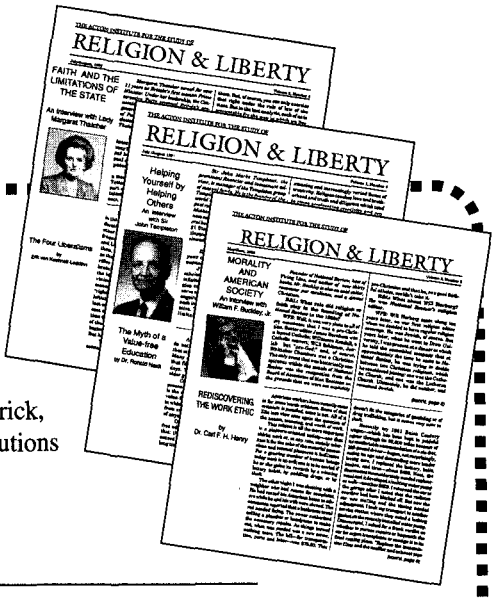
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THE FREEMAN
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SHIPWRECKED IN NEW JERSEY

by Robert A. Peterson

I grew up in a town where yacht-making was the chief industry. Indeed, boat-building has been a South Jersey specialty for hundreds of years. The first ships were built with cedar from local cedar swamps, then dragged down nearby streams to be launched on the Mullica, Maurice, and Great Egg Harbor Rivers. By 1776, the Delaware Valley, including South Jersey, was the nation's leading shipbuilding area, outstripping even New England. In the 1900s entrepreneurs like Charles Leek started making pleasure crafts and sport-fishing yachts for the wealthy. Within a 20-mile radius, four major boat companies emerged: Pacemaker (now Ocean Yachts), Post Marine, Viking Yachts, and Egg Harbor Yacht. Thirty miles distant was another major boat-builder, Silverton Yacht.

As children, we benefited from the yacht companies' presence in many ways. Sure, many of our parents worked there, but more important to us was the discarded wood pile. We could go there and pick out pieces of teak, mahogany, and other expensive woods to build our tree houses, clubhouses, and go-carts. Even the five o'clock whistle served us, telling us it was time to end our play in the fields and go home for dinner. And of course we were all excited when one of our favorite comedians, Jerry Lewis, came to town to pick out his own yacht. I didn't understand it at the time, but essentially what Lewis was doing was employing about 30 South Jersey blue-collar workers—paying their insurance bills, feeding their children, and paying their mortgages—for over a month. Lewis, in turn, had made his money by mass-marketing his acting skills, bringing laughter and relaxation to some of those same blue-collar workers who watched him on television at night.

As I grew older, I came to realize more and more the important role the boat-building industry played in our area. In the 1960s, the Pacemaker Yacht Company employed more people than the electric company. Thus, a product that only the rich could afford was fueling the better part of our local economy.

Many local people got their first work experience in a boat factory. Here they learned a trade without having to burden the taxpayer in a job-training program or publicly supported vocational school.

The boat companies also fulfilled a crucial role in training future entrepreneurs and businessmen. Not everyone wants to spend his life working for someone else; millions of Americans want to go out on their own and create their own businesses. But in order to do that, they need start-up money, marketable skills, and solid work experience. For years, the boat companies have provided those goods. The owner of Anchor Custom Upholstery, for example, learned his trade at a boat factory. P. J. Reinhard, a local

Mr. Peterson is headmaster at The Pilgrim Academy in Egg Harbor, New Jersey.

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carpenter's shop, first made cabinets for yachts. They have since expanded into other mill work. Kauffman-Wimberg Insurance, a 40-year-old insurance firm, got its start when it obtained the insurance contract for one of the boat companies shortly after the insurance firm was started. Many local electricians, plumbers, and other skilled workers picked up their first tools and learned their trades at the boatyard. Today, they are independent businessmen in their own right—spin-offs from the yacht-making industry. Other businesses were either created or prospered as they served the needs of the people who worked on the boats. My father has an independent auto repair shop, and many of his customers over the years were boat-builders. Money in their pockets meant money in my father's pocket. And that meant money in my pocket, which I used to help pay for college.

Trickle-Down Philanthropy

Money from the wealthy who bought Egg Harbor-built yachts trickled down in many other ways. Jack Leek, who owns Ocean Yachts, has been a one-man charitable foundation. Sharing the profits made by selling his yachts all over the world, he has donated generously to his church, to Rutgers University, to the Atlantic City Medical Center (where he paid for the emergency room), to the community athletic association, and to Ducks Unlimited.

The physical plants themselves have provided the community with tools and capital equipment that have often been used to help local civic and charitable organizations. At churches and schools, podiums, benches, and other furniture were made by boat carpenters who had permission to stay after work and use some of the big equipment.

Thirty years ago, our church had to expand its main sanctuary. But how could we duplicate the large beams on the ceiling so that the new section would look the same as the original sanctuary? The only place in town that had the equipment to make such a beam was one of the boat factories. Fortunately, one of our church members, a master carpenter, got permission to use the equipment and the beams were replicated. Even the curtains in the private school where I teach were made by school mothers from discontinued bolts of cloth that were once used on some of the world's finest yachts. When I teach my economics course, I'm continually reminded of the benefits of "trickle-down economics."

In addition to sponsoring Little League teams, the presence of the boat factories made it easy to conduct fund drives for local charities as well as organize people for the Red Cross blood drive. Ocean Yachts and Egg Harbor Yacht, for example, would let their workers go home early if they agreed to give blood that afternoon. In the early 1980s, the Red Cross typically received 250 pints of blood at each drive. Last year, with the boat factories almost at a standstill, it collected only 60 pints of blood.

With so many benefits "trickling down" to middle-class and poor Americans, it's hard to understand why Congress would seek to destroy the boat-making industry. Yet that's exactly what it did in 1990 when, according to a *Wall Street Journal* report, "Congressional Democrats [were] eager to show they were being tough on the rich." A ten percent tax was added to the cost of luxury yachts. Since a yacht today costs anywhere from $100,000 to $200,000, this means that at least $10,000 had to be paid to the government before a potential buyer could get his first whiff of salt air. With the economy already heading for trouble, this was the proverbial straw that broke the camel's back. Ocean Yachts in Weekstown trimmed its workforce from 350 to 50. Egg Harbor Yachts entered Chapter Eleven bankruptcy, going from 200 employees to five. Viking Yachts dropped from 1,400 to 300 employees. According to a Congressional Joint Economic Committee Study, the boat industry nationwide lost 7,600 employees within one year. As Bob Healy, president of Viking Yachts explained on NBC News, "Every six or seven years, you have a down cycle. You might be off 20 percent, 30 percent, or 40 percent at maximum. Our industry is off 90 percent nationally."

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Despite all the talk about stimulating the economy, and the clear evidence that both the luxury taxes and higher taxes in general have pretty much destroyed the yacht-making industry, the tax did not generate any significant revenue, and has only cost taxpayers money by forcing workers onto the government dole. Congress originally estimated that the luxury tax on boats, aircraft, and jewelry would raise $5 million in taxes a year. Instead, the Treasury has lost $24 million through lost income-tax revenues and higher unemployment and welfare payments.

It's important to realize that yacht-making has been—and could be once again—one of America's premier industries. It's something that we Americans do well. South Jersey, crisscrossed by rivers and surrounded by water on three sides, has a comparative advantage in yacht-building. Not only do South Jerseyans have a long heritage of boat-building, but the South Jersey launching docks are close to such major population centers as Philadelphia and New York City. A prospective buyer can leave New York in the morning, take a test drive on the Atlantic Ocean at noon, and be back in New York for dinner that night. Many yachts are exported overseas, as both wealthy Japanese and Europeans acknowledge the skill of our South Jersey craftsmen. This is not an obsolete buggy-whip making industry that needs government subsidies to exist, but a high-tech industry that should be able to thrive as long as men go down to the sea in ships. (The technology involved in making fiber-glass yachts with state-of-the-art navigational equipment and creature comforts destroys the notion that there are certain key high-tech firms that should be targeted for government help. Today, high-tech is involved in everything from making better potato chips to making a safer yacht.)

It should also be noted that jobs traditionally created by South Jersey's boat-making entrepreneurs are exactly the kinds of jobs that today's government officials would like to create, but can't. A teenager with no college education can go to a boat company and get a job that provides full benefits as well as on-the-job training. He's also in an industry that promises employment well into the future and has and can adapt to changing technology. As a "light industry," yacht-making represents little threat to the environment; in fact, the invention of the fiber-glass hull years ago makes using tropical woods like mahogany no longer necessary or cost-effective. Finally, it's an industry that could expand and hire more workers if more people could afford to buy yachts—which is indeed what would happen if we became a low-tax, high-growth society. Just before the luxury tax was passed, Ocean Yachts had opened up a research and development division to build smaller yachts. The idea was to make it possible for more upwardly mobile companies and individuals to afford an Ocean Yacht; once hooked, they would eventually trade up to Ocean's larger yacht. Today, thanks to high taxes, that research and development building stands idle.

It's been over three years since the luxury tax was passed, and the boat industry is still reeling from excessive taxation and government-induced recession—a casualty of the socialist rhetoric that "trickle-down economics doesn't works."

The 1993 budget finally repealed the luxury tax, but it was the result of a political deal rather than an acknowledgment of what really makes the economy work. At the same time Congressmen and Senators were voting to repeal the luxury tax, they were voting in new taxes against the rich. Since the repeal of the luxury tax was a political deal rather than an economic one, look for continued attacks against America's most productive citizens.

The story of the destruction of South Jersey's yacht-making industry poignantly illustrates what happens when policy-makers try to apply the socialism they learned in college to real world situations. Not just the yacht-making industry—but all American industry—would benefit from lower taxes and less government intervention. Until then, boat-builders and other workers will continue to be shipwrecked here in America. □

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THE FREEMAN
IDEAS ON LIBERTY

THE SPACE PROGRAM: NO PRIZE

by Frederick Giarrusso and Gary C. Hudson

Science writer Dr. Jerry Pournelle claims, "The three great failures of socialism in the 20th century are Soviet agriculture, U.S. education, and NASA." A review of NASA's performance reveals the aptness of the last third of his remark.

NASA controls all aspects of the civil space program in the United States. Fifteen billion dollars filter through NASA each year to fund shuttle launches, space station designs, and one of the largest and least cost-effective bureaucracies to grace our land. To most people, NASA *is* the U.S. space program.

The very term "space program" is problematic, however. A program implies a single, concerted effort, usually by government, to perform some task. Typically, this effort is at odds with a capitalist system, in which profit and individual motivations dictate performance.

Imagine where California would be if its exploration and settlement had occurred under the federal government's "Gold Rush Program." Suffice it to say, San Francisco's football team might well have been called the "'98ers."

We have all seen the failures of a command economy in the rest of the world; why is it so difficult to recognize those failures when they occur within our own borders? When a command economy allocates resources, it changes the incentives of the people involved—otherwise there would be no need for the "command"; it would simply be an economy. When a government agency dictates development in a particular industry, it changes the incentive system in that field. The result is profound inefficiency. The lack of an appropriate incentive system can lead to some interesting—and expensive—results.

Consider the pressure suits worn by our astronauts. NASA estimated the cost of designing a new space suit for the planned space station at about $350 million—manufacturing costs not included. These suits are expected to withstand 5–8 psi of internal pressure in a relatively innocuous environment.

Space suits are similar to the rigid, deep-ocean suits worn by divers. While maintaining a single atmosphere environment for the diver, deep ocean suits must withstand external pressures of over 500 psi, as well as operate in a corrosive environment. In addition, they must be very durable. Minor leaks in an astronaut's space suit would not necessarily kill the astronaut; such failure in a deep ocean suit would certainly doom the diver.

The International Hard Suits company of Vancouver, B.C., manufactures the state-of-the-art one-atmosphere diving suit, the Newtsuit®. The suit is available for approx-

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imately $400,000 each, and is presently in full production for military, scientific, and commercial use.

NASA, on the other hand, would have to make over 875 space suits at no cost to justify the expense of their own design. Instead, NASA would expect to make only a handful of suits, with significant manufacturing costs. Although such an existing supplier of space suits would have been more cost-effective, NASA chose to contract out for a new design—essentially to reinvent the wheel. This represents a minimum of $345 million down the drain; $1.38 for every man, woman, and child in the United States, thrown away. And that's just the space suits.

Costs Continue to Soar

Then there is the story of the Saturn 1B, an expendable rocket. The Saturn 1B cost $3.4 billion to develop and $156 million per flight to operate. It was able to lift about 40,000 pounds into orbit. However, rather than continue to use the Saturn 1B, NASA spent ten times as much money to develop a vehicle that cost twice as much to perform the same job.

The Space Shuttle represents no great payload improvement over the Saturn 1B. Like the Saturn, the Shuttle is able to lift 40,000 pounds into orbit. Yet it cost $34.7 billion to develop and, by NASA's own rather low estimate, $301 million to operate, per flight. As of 1990 the Shuttle had flown 44 flights, for a total cost of $55 billion. For that same $55 billion, the Saturn 1B could have flown 350 flights, placing in orbit ten times the total Shuttle payload to date (all figures are in constant 1986 dollars).

But what about all of that valuable research performed on the Shuttle?

Put another way, for approximately $5 billion the Saturn 1B could have placed the same amount of payload in orbit as the Space Shuttle has. With the remaining $50 billion, the taxpayers could have purchased outright the top ten laboratories and research universities in the world and performed all the research they wanted. Or funded the National Science Foundation for 25 years.

On top of that, the Space Shuttle is considered so unreliable that another branch of the federal government, the Department of Defense, has recently opted to boost its satellites using Titan rockets—a technology developed three decades ago.

The problem with NASA is less NASA itself than the mentality that suggests the United States should even have a "space program." Capitalism works. Free markets work. Command economies fail and they fail in the most expensive manner possible. If we agree that space development is a worthwhile goal, then the question becomes how best to get there.

There are at least two options. Assuming a continuing drive for some form of federally funded space effort, the maximum leverage of taxpayer dollars might come from a system of prizes. In combination with this approach, tax incentives for investment and tax breaks for profits earned from commercial space ventures could stimulate the flow of significant private dollars for high-risk projects. We should recognize that the free market has been distorted by tax policy which inhibits investment in high-risk, high-payoff industries. Indexing capital gains, or better still, following the Japanese lead and eliminating all tax on long-term investments would be a useful start. While we prefer a hands-off policy, these options would help to undo the decades-old damage of the present space program.

Burt Rutan, designer of Voyager, which circled the globe unrefueled in 1986, has suggested an incentive-based system to develop one NASA/USAF project: the National AeroSpace Plane (NASP). To date, more than a billion dollars has been spent for this plane, with the expectation that ten billion dollars might be spent on the actual manufacturing and flight tests. Rutan's suggestion is to take out an ad in *Aviation Week*, at a cost of a few thousand dollars, offering a billion-dollar prize to the first company to fly a plane coast-to-coast in under an hour—NASP's ultimate goal.

This idea is far from new; using just such

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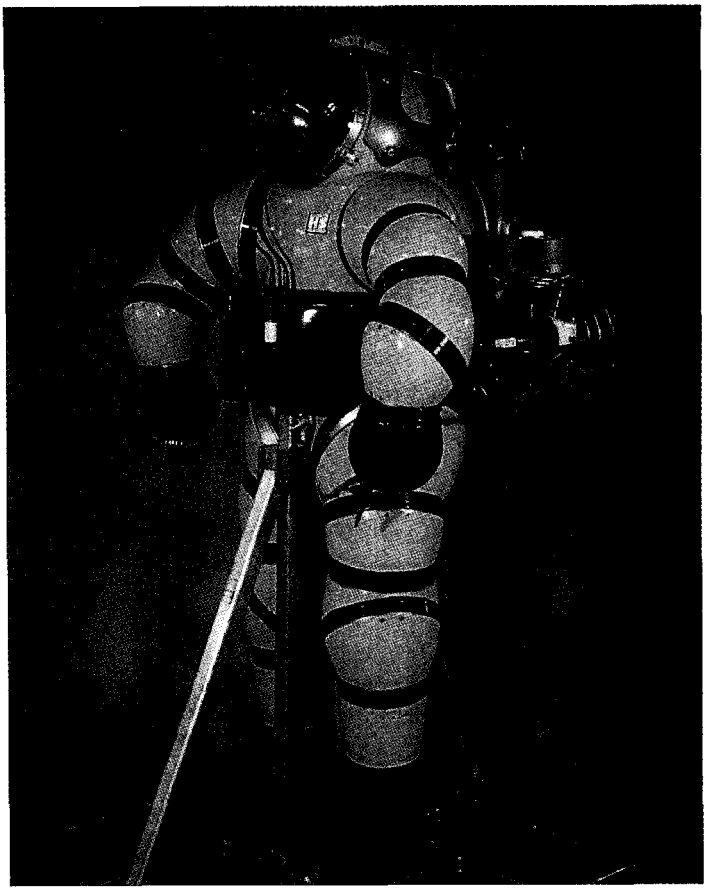

INTERNATIONAL HARD SUITS

Instead of using the technology already developed in International Hard Suit's Newtsuit, NASA chose to contract out for a new design—essentially to reinvent the wheel.

an incentive system the British Crown established a prize for the means of discovering the longitude of a sailing vessel. A similar competition for $25,000 prompted Charles Lindbergh to make his famous solo flight across the Atlantic in 1927. Prizes work to stimulate innovation. An incentive would encourage companies to compete in a cost-effective manner and, where appropriate, to team together to overcome common problems and share risks.

To date, the conventional attempt to commercialize space activities has been a failure. Most firms participating in this much ballyhooed effort are simply selling their products to the same old buyer: the U.S. government. If there is to be a true industrial revolution in space commerce, we must open new markets. The record of our government in creating such markets is dismal.

Which federal government manager would envision, for example, that space tourism might well become a ten billion-dollar annual global market in just fifteen years? Dr. Patrick Collins of the Japanese National Aerospace Laboratory has suggested just that—and you can be certain Japanese firms are listening. A recent visit to Shimizu Corporation, the largest construction company in the world, elicited color brochures depicting space hotels, lunar settlements, and "space weddings." Whether such visions are practical or not, this example serves to illustrate that, as with so much else, federal government policies have forced innovation and vision away from our shores. It is past time to change the way we address the promise of the space frontier. We should scrap policies that inhibit our ability to profit from this opportunity.

We won't get to the high frontier with a modern-day "Gold Rush Program." But we might get there with a modern-day gold rush. □

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THE FREEMAN
IDEAS ON LIBERTY

THE BEST ALTERNATIVE

by Roger M. Clites

Those of us who advocate the free market are regularly frustrated in attempts to discuss economic issues with people afflicted with the anti-capitalistic mentality. In many such situations about all we can do is try to part on amicable terms. After all, it's all but impossible to reason away prejudice.

However, occasionally I do encounter a mind that is not completely closed. In that case I usually can get my ideas heard and considered if I establish an identity of interests. That is, I try to show my challenger that we are seeking the same goal, and differ only as to the means of attaining it.

In the case of the person who challenges, "I'll bet you are one of those people who think that we should not have the Federal Reserve System" a helpful response might be, "My desire is to have such things as a currency that retains its value so that savings, life insurance policies, and other investments do not lose their value over time." If the challenger pauses before replying, I might add: "And I'd like to see an economy without frequent severe downturns." Sometimes this will lead him to respond with an open mind. It won't always do so but most times it will achieve a much more favorable response than does a simple statement to the effect that yes, we should do away with the Federal Reserve System.

The same type of response can be used in many other economic discussions. I once received a telephone call from a woman who described the working conditions of Mexicans who were employed in plants just south of the Rio Grande. I told her that I assumed she was concerned about the welfare of those Mexicans from the way she described the situation in which they lived and worked. She assured me that she was. I replied that the Mexicans must see their current arrangement as their best alternative. This seemed to baffle the woman so she digressed onto other semi-related matters.

After two or three minutes, she began talking about Mexicans "taking jobs from Americans." I reminded her that initially she had expressed her concern about the living standards of the Mexicans. But now it seemed that she was willing to sacrifice the best alternative of those people whom she considered to be exploited for the interests of some better-off Americans. She replied that this "wasn't fair." When I asked how this was unfair she said that I kept talking about alternatives and the Mexicans were taking away the Americans' best alternatives. I suggested that perhaps trying to compete with the low-paid Mexican workers was not the better alternative for Americans. I was somewhat surprised, but pleased, when she replied that she would "have to think about that" before she hung up.

Friendly Persuasion

Sometimes it may not be possible to open the mind of a challenger but if a discussion is taking place where others are present it

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may be possible to persuade some of those others of the validity of one's point.

I once attended a meeting in which a young man was insisting that people should not have to do a certain dirty, dangerous job. Of course he overlooked the fact that the lives of other people could not attain their present levels of comfort if that job were not done. In fact, the job happened to be essential to our overall way of life.

I asked him why people accepted that kind of work. He responded that it was all they could get. I suggested that perhaps it could be described as "the best they can get." He literally shouted, "What's the difference?" I pointed out that he was proposing to take from those people their best choice. Unable to cope with this reasoning he began to babble about "people in three-piece suits." At this point I commented to those nearby that I guessed that the man recognized the correctness of my point since he felt compelled to "shoot the messenger." Another man spoke up and said that previously he would have probably agreed with the young man but that now he saw that to prohibit the work in question would hurt those who did it as well as the consumers who would be denied the service being supplied. Several other people nodded their heads in agreement and the young man bolted from the room muttering a curse!

Before we judge that fellow too harshly we should explore what led him to his way of thinking. In many cases people who disdain a certain type of work project their own judgment about it onto those who engage in it. A few years ago a sociologist entered into a study of men who collected residential trash. One of his basic assumptions was that they hated their work. He soon learned, much to his amazement, that they found it quite interesting. For example, one trash collector told the sociologist that he knew many things about the people whose trash he collected. To illustrate this he pointed out that the people who lived in one corner house held a "big booze party" every Saturday night, as indicated by the quantity of liquor bottles in their trash immediately thereafter. He knew similar, though less colorful, things about everyone on his route.

Different Standards

Failure to realize that other people may have different standards and value judgments than they have often leads some people to become needlessly concerned about the condition of other people. This is often due to lack of experience in their own lives. Perhaps I am fortunate that I have worked in a steel mill, on house construction, and in wheat fields in order to finance my academic training. Someone who has had his or her education financed solely by parents, scholarships, and other such sources may have had the best alternative for preparing for his or her own life taken away by people with perfectly good intentions.

I once heard a psychology professor say, "People do what they want to do." It may be the lesser of two or more evils but they choose to do what they prefer, given their alternatives. If it can be gotten across to well-meaning people that they are harming, not helping, those who are less fortunate a few of those well-intended people may begin to understand the superiority of voluntary action over coercion. □

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THE FREEMAN
IDEAS ON LIBERTY

A Level Playing Field

by Robert Zimmerman

I am far from a wealthy individual. Despite the wonderful stories you hear about filmmakers drinking piña coladas by the swimming pool and having their grapes peeled for them, the movies do not necessarily make you rich. If I had to define my financial class, where I stand in the great rankings of monetary success, I would personally place myself as lower middle class.

In other words, I get by, pay my bills, do the creative work I like, and try to live a decent life.

Being self-employed (a difficult thing to do in our modern corporate word), I have had to pay for my own health insurance. When I realized I needed to do this, I got out the yellow pages, made a few phone calls, and found an insurance company that had a policy I liked and was reasonably priced. Because this is a form of insurance, I did this at the very beginning of my self-employment. I realized that no company would give me a policy if I waited until I was sick. Many people in our society do not do this, and when they do become ill, they cannot get an insurance company to accept them. As tragic as this is, it is the consequence of their own decision to save the cost of insurance when they were healthy.

I did not want to be placed in this situation. The whole idea behind insurance is to obtain it in advance of disaster. I made the calls, I found a policy, and I paid the bills. I recognized that in a truly free society, there are consequences for my actions, and I needed to act to avoid the worst consequence.

The state legislators of New York, also aware of the tragic consequences of not buying health insurance in advance of illness, decided in July 1992 simply to outlaw these consequences. As my own State Assemblyman said, "We needed to level the playing field, so that the millions of middle class people who didn't have health insurance could get it."

The subsequent law requires all insurance companies to charge everyone the same rate, regardless of age, health, sex, or occupation. It also forbids all health insurance companies from refusing anyone a policy. In other words, not only are we all created equal, we are all created identical, and the insurance companies are required to make believe that there are no differences between us.

Now, according to supporters of the bill, health insurance will be available for everyone at the same cost. According to the State Insurance Superintendent Salvatore Curiale, "people might have to pay a little more, but it won't be a significant amount more."

Within six months of its passage, 10 of the 18 major health insurance companies in New York decided to leave the state. Some decided to refuse to take any additional customers, while others canceled all policies. Of the remaining companies, all have said that they will have to increase their fees, doubling or tripling them.

My own insurance company decided to

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remain in New York, but it sent me a letter, explaining that because of this new law, my monthly rate would be increased from $120 to $300.

If this is only a little increase, I wonder what our politicians think a big increase would be?

We now have a level playing field: *No one* can afford health coverage. This monthly bill is certainly beyond my means, and I am sure it is beyond the means of most middle-class people as well.

And since the law forbids insurance companies to refuse anyone, there is no longer an incentive to buy health insurance in advance of an illness. Since a 25-year-old woman in perfect health would pay the same as a 68-year-old man with serious cancer problems, the 25-year-old might as well wait as long as possible before buying the insurance.

Without a pool of healthy customers paying the cost for the sick customers, the whole concept of insurance becomes unprofitable. This is why more than half the insurance companies have left the state, and why eventually, because of this law, private health insurance will sooner or later become unavailable in New York.

Good and Bad Consequences

We supposedly live in a free, capitalistic society, which used to recognize that life is tough, challenging, and requires thought and courage to get through it with success. Some of us are more intelligent, more handsome, or more beautiful, while others are cursed with ugliness, stupidity, or foolishness. Often we make poor decisions that do us more harm than good. And, regardless of any law, there are always good and bad consequences for all our actions.

Yet, we are also afforded the wonderful opportunity to make the most of what we have, regardless of life's obstacles, to never give up, to make of our lives as much as we can. Even in the most adverse situations, where the world is trying to destroy us, we can still stand tall and proud and try to do right for ourselves and for our loved ones. This approach to life will at least make us noble and great, even amidst failure.

By recognizing and rewarding the individual differences among us, a free society encourages us all to be the best we can be. It encourages us to use our individual talents and abilities at their highest level, because we know that if we choose poorly or without thought we will have to face the bad consequences on our own.

The thinking and philosophy that supports this insurance law in New York denies this premise. By making believe that everyone is identical and requiring the insurance companies to ignore the good and bad differences between us, the law only encourages laziness, foolishness, and failure by everyone. If you have the foresight to buy health insurance before you really need it, you are punished with higher rates. Those who don't plan ahead and buy it in the last second are rewarded with bargain rates.

Worst of all, because this law attacks the truth that we are all different with different situations, trying to do the best we can, it attacks the foundation of our free society. Without any incentive to be the best we can be, the consequences will surely be the same here as they were in the Soviet Union and in all socialist countries. Health care, once easily available at reasonable prices in New York State, will soon become less accessible and more poorly administered.

This is not a prediction, for I have already observed these very things happening in New York since the law was passed. In trying to eliminate the small, bad consequences of certain individuals' foolish decisions, the New York State legislature has created a situation where a truly large and terrible consequence will descend upon the heads of all its citizens. □

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THE CASE FOR HOMESCHOOLING

by Roy Lechtreck

If it is not broken, don't fix it.
If it is broken, fix it.

But if it cannot be fixed, replace it.

The public schools are beyond repair. If it is not practical to replace the current system, then at least let those alone who wish to homeschool. Hassle them not. Instead, encourage them and help them.

That may sound pretty revolutionary and, some will say, un-American. But more and more parents are homeschooling their children. The best-seller *Megatrends* states that a million children are being taught at home, but that is probably an exaggeration. Yet several authors estimate that 250,000 families engage in homeschooling.

Advocates of homeschooling argue that all past attempts at reforming the public school have failed. Decentralization, open classrooms, a return to the basics, values clarification, and an emphasis on counseling and programs directed toward the potential dropout, are but a few of the recent attempts to put Humpty-Dumpty together again. Schools were even turned over to private corporations without any appreciable changes.

Parents who homeschool their children have three basic complaints against public schools: the lack of academic rigor, the number of maladjusted graduates, and the anti-religious atmosphere. Homeschool advocates claim that homeschooling overcomes these problems. They argue that no matter whether the educational philosophy one holds is that schooling prepares for life or schooling is life, the homeschooled do better. Proponents also claim that private schools are nearly always similar to public schools, so the fundamental criticisms of public schools apply to private schools also, although to a lesser degree.

There are two ways to look at the arguments for homeschooling: by personal case histories[1] and by scholarly analysis. Although the true merit of homeschooling probably is best told as a series of case histories, this paper will examine the many studies done on various aspects of homeschooling.

Before we do so, however, we ought to look at the legal situation. Almost every state permits some type of homeschooling. The stringent rules against it have usually fallen when challenged in court, unless the challenge was based on the claim that the state may impose no regulations whatsoever on any homeschool. Existing state laws generally demand that homeschool children have a certain number of hours of schooling per year, and require parents to keep records of what is being done. These records

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are to be inspected by the public school authorities.

Academic Performance

Let us now see how homeschooling compares to the public schools in academic performance. According to a study in Alabama, elementary-age homeschooled children performed at comparable levels to public school children. Furthermore, the level of education of the teacher-parent was not related to the performance of the children, and children of parents without teacher certification did as well as those who had a certified teacher-parent.[2]

Borg Hendrickson, in *Home School: Taking the First Step* points out other studies which say basically the same thing:

- Home-tutored children scored higher on standardized achievement tests than did their peers in the Los Angeles public schools and also made significant gains in maturation and social growth.
- A survey showed that the majority of 2,000 homeschooled children from various backgrounds achieved notable academic, attitudinal, and motivational progress.
- Homeschooled children in Arizona scored at above-average levels on standardized achievement tests in the mid-1980s.
- During the first half of the 1980s homeschooled children in Alaska consistently outscored their public school peers on standardized achievement tests.
- 76.1 percent of Oregon's homeschooled students scored above average on achievement tests in 1986.
- A 1987 comparison of Western Washington homeschooled students' achievement test scores with national norms showed that, with the exception of grade 1 math scores at the 49th percentile, the homeschooled students at each grade level scored above the 50th percentile in all subjects.
- In 1986, homeschooled students in grades 2, 3, 6, and 8 in Tennessee outscored public school students consistently. In national comparisons, the homeschooled students scored in the top 3% in math, top 4% in spelling, top 1% in listening skills, and top 6% in environmental knowledge.
- Documentation by the Washington Public Instruction Department showed across the board higher performance by homeschooled students over public school students.[3]

These successes usually occur with only three hours of instruction each day. The teacher-parent, of course, has numerous texts, workbooks, videos, and materials to choose from, and when several families form a support group, an inexperienced parent can usually find answers to problems from other members of the group. The children have the almost undivided attention of the teacher without the distractions of a classroom. Homeschooled children also are much more likely to go to libraries, art, history, and science museums, and attend lectures and special events. (Several families which homeschool will often engage in these activities together.)

The suggestions of educational reformers that teachers be better prepared, that classes be smaller, and that more money be spent will not bring about any substantial improvement in academic achievement, according to George Leonard. He says that the cause of poor education is the nature of the public school today, and only drastic restructuring will work.

One argument of Leonard's that can be used to promote homeschooling is that human beings learn at different rates. Individualized education then can be much more effective than group education.

A second argument is that "a certain amount of self-confidence and self-respect is an essential precondition to learning. Yet by and large, school is set up to humiliate publicly those who, for whatever reason, are unable to come up with the right answer when called upon."[4]

A third premise of his is that "the effectiveness of any learning experience depends on the frequency, variety, quality, and intensity of that interaction."[5] Homeschooling would obviously be the best form of interaction.

The child, Leonard continues, is a "learn-

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ing animal, sure and simple. . . . By the time our children start to school, almost all of them have completed one of the most spectacular learning tasks on this planet: The mastery of spoken language with no formal instruction whatever. . . . They have enjoyed a feast of high-intensity interaction with their teaching environment, which in this case comprises all the adults and other children around them."[6]

Social Adjustment

None of the above comes at the expense of good social adjustment. Negative, not positive, socialization is the end product of most regular schooling, according to homeschool advocates. The drastic increase in crimes perpetrated by pupils against teachers, pupils against pupils, and teachers against pupils is an indication of a system that has lost sight of its goals or cannot achieve them. How can children be properly socialized in an atmosphere of fear and chaos? Peer dependency is also an example of negative socialization. It often prevents students from maturing, developing their own individual personalities, developing a moral code separate from that of the group, becoming self-reliant, and developing an acceptable work ethic. One wonders about the viability of a system wherein most admit to cheating regularly and trying to get by with as little effort as possible.

Another aspect of negative socialization, according to many scholars and homeschool advocates, is the school's emphasis on competition. A student is not regularly encouraged to do his best, but just to be better than someone else. Nor is he encouraged to cooperate with others. It is impressed upon him daily that progress has come about by competition. Cooperation is considered utopian, cultish, or trivial. This, however, is a serious misinterpretation of history, free enterprise, and human nature, as very ably pointed out by Alfie Kohn in *No Contest: The Case Against Competition*.[7]

The glorification of sports in high school is another type of negative socialization. Sportsmanship is fine, but when students are given passing grades to stay on the football team and taught that winning is the only reason for playing, our priorities are misplaced. Also, the emphasis on attracting the opposite sex and having the latest in videos and cassettes places a premium on pleasure—a selfishness destructive of friendships and sound judgment. Many argue that the negative socialization in public schools produces a population lacking in those civic virtues necessary for the survival of a democracy.

After reviewing the literature on homeschooling and socialization, Brian Roy writes that "the available empirical data suggest that homeschooled youth are doing at least as well as those in conventional schools in terms of affective outcomes . . . . [In] values, attitudes, and socialization of home-schooled youth, no tangible evidence was identified that they are inferior to conventional school youth in these areas."[8]

Religious Beliefs

Regarding the third complaint against public schools, that they are anti-religion, homeschool advocates take the position that they cannot bring up their children in their own faith and send them to public schools where that faith is challenged or mocked. If adults have a hard time keeping a faith in the face of ridicule, how much more difficult will it be for a child?

Schools can be said to be anti-religion in at least two ways: by attacking religion directly, in history, literature, psychology, and biology textbooks and library books, or by ignoring religion and thereby letting children think it is unimportant. It is interesting that schools are more willing to allow a student to pass a biology course without dissecting a frog than they are willing to allow a student to substitute some other assignment for a chapter of a textbook promoting the idea that man is different from an ape only in the number of nerve endings in the brain and its chemistry. Sex education is also a big problem, for many such courses say or imply that being sexually active is nothing to be ashamed of and everything is

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okay as long as one practices "safe sex." As for history, there is little about the positive role religion has played at times in world affairs. In psychology books, sin is often presented simply as sickness. (Hitler was not evil, just insane!) The anti-religion of some literature is more subtle. Many fundamentalists object to certain four-letter words, but that is minor compared to the glorification or acceptance of evil portrayed in some novels, essays, or poems.

Courses in values clarification implicitly deny that there are moral guideposts which we ought to follow. Instead of pointing out what moral codes are necessary for society to function, and the demands placed on us by the requirements that we observe others' rights (as, for instance, spelled out in the Declaration of Independence), the values-clarification approach looks at everything from the viewpoint of a child's supposed need for self-satisfaction. The question "What must you do to be a good citizen?" has been replaced by "What personal desires do you need to fulfill to be happy?"

Parents vs. Bureaucracy

Homeschool advocates are *not* conducting an assault against the public schools. All they ask is that the public school system recognize that they are sincere in their beliefs and to leave them alone as much as possible. Their number will never be large enough to pose a threat to any regular school teacher's job or education budgets. Homeschoolers say, "Our students are as well educated and as well adjusted as yours, if not more so. So just let us be."

In many cases, in fact, homeschooling may be the only sensible way of educating children. This is especially true of families who move around a lot and families with children with exceptional abilities or disabilities.

The defense of homeschooling is not necessarily an attack on public school teachers. Most homeschoolers would probably argue that it is not the teachers but the system that is at fault.

In the recent book *Politics, Markets, and American Schools*, John Chubb and Terry Moe claim that public school bureaucracy is the major culprit. After making allowances for tax revenues, size of school, economic and social background of the pupils, and many other factors, Chubb and Moe argue that the most effective schools are the less constrained schools. Too many supervisors and too many rules spoil the process.[9]

In preparing this article, I was fortunate to meet a lower-middle income, homeschooling couple from central Alabama, who have been homeschooling their two children (now 14 and 11 years of age) for six years. Both children have traveled alone to visit relatives in Germany. The elder had a $500 bank account at the age of 12. Both have won numerous prizes in local contests. In a letter to me, the mother mentioned what is probably her greatest satisfaction as a homeschool parent: "I feel that if anything . . . were to happen to my husband and myself, John and Angela would be left with the basics of survival and enough sense to make it through life knowing what hard work is. . . . They are happy children and know how to make the best of just about every situation." □

1. David Williams, Larry Arnoldsen, and Peter Reynolds, *Understanding Home Education: Case Studies in Home Schools*—Conference Paper, April 1984 (New Orleans, La.: American Educational Research Association, 1984).
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3. Borg Hendrickson, *Home School: Taking the First Step* (Kooskia, Idaho: Mountain Meadow Press, 1989), pp. 10–11.
4. George Leonard, "The End of School," *The Atlantic*, May 1992, p. 26.
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7. Alfie Kohn, *No Contest: The Case Against Competition* (Boston, Mass.: Houghton Mifflin, 1986).
8. Brian D. Roy, *A Comparison of Home Schooling and Conventional Schooling with a Focus on Learner Outcomes* (Corvallis, Ore.: Oregon State University, 1986), doctoral dissertation.
9. John Chubb and Terry Moe, *Politics, Markets, and American Schools* (Washington, D.C.: Brookings Institution, 1990).

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A REVIEWER'S
NOTEBOOK

THE POLITICS OF POWER

by John Chamberlain

The Greeks had a word for it: "Nothing in excess." Centuries later, Edmund Burke used the word prudence. He believed in a conciliatory approach to Britain's relations with America on the one hand and Ireland on the other. Thus it could be seen that Russell Kirk has had good literary forebears for his book, *The Politics of Power* (Intercollegiate Studies Institute, Bryn Mawr, Pa., 304 pp., $19.95 cloth; $8.95 paperback).

Kirk has a genuine passion for order: He has orderly listings of ten conservative principles, ten conservative events, and ten conservative books. It would have offended his sense of order to have had to settle for nine or eleven books, or six or twelve events.

Kirk is against the Behemoth State in any form whatever. It forces centralization in decision-making. Variety disappears. As a disciple of the Swiss-German economist Wilhelm Roepke, Kirk is an enemy of the "cult of the colossal." Roepke says we must find our way back to the humane scale in both economics and politics.

A Michigander, Russell Kirk is well acquainted with the gigantism of the automobile industry. Henry Ford thought that his Model T would restore the humane scale. It would allow a worker to go to work in the morning and return home to raise soybeans or whatever in the afternoon.

But the Model T failed in its mission.

The great set piece of Kirk's book turns out to be what happened in Detroit, Kirk's hometown before he moved to Piety Hill in a rural area. He grew up near the railroad tracks leading out of Detroit. All his life he has had to go in and out of the automobile city. The decline of the automobile business had its reflex: the city, struggling with joblessness, became a mugging center with murders common every corner. Only the foolhardy dared to go out.

Kirk has a scunner on the word "ideology." To become an ideologue is to him, equivalent to making a pact with the devil. It may be admitted that ideology is not a pretty word. But most people use it loosely, as an object of search. To have settled with a philosophy, putting ideas together in a bundle does not mean that one can never change one's mind.

Luckily, Kirk is a prime storyteller. He recreates the atmosphere of Tennessee agrarianism with a beautiful character portrait of Donald Davidson, who refused to go through New York City on his way to his summer home in Vermont. His picture of Detroit in decay is hereby recommended to Jack Kemp, the man who wants to bring business to the inner city.

One can forget the semantics of Kirk's approach while delighting in his storytelling power. So read him for this and the searing section on Detroit's collapse. Don't worry about the book's title. □

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Green Delusions: An Environmentalist Critique of Radical Environmentalism

by Martin Lewis

Duke University Press, Durham, N.C. • 1992 • 288 pages • $24.95

Reviewed by Doug Bandow

George Bush wanted to be the environmental president, but even his heavy-handed regulatory policies did not satisfy the environmental lobby. Now we have the environmental vice president, for whom conservation seems to be a religious duty, and a bevy of left-wing Clinton appointees, for whom cost appears to be no object. The result is likely to be a concerted attack not only on business, but on the entire market system.

Indeed, what makes future prospects so frightening is the fact that an important segment of the environmental movement is fundamentally antagonistic to modern society. These eco-radicals, as Martin Lewis, a professor at George Washington University, calls them, "concur in one central proposition: that human society, as it is now constituted, is utterly unsustainable and must be reconstructed according to an entirely different socioeconomic logic."

Lewis, a mainstream environmentalist, doesn't much like "anti-environmentalists" like Julian Simon and Dixy Lee Ray, who "present a comforting vision to those who shudder at the thought of the sacrifices that will be necessary to ensure the ecological health of the planet." But he also recognizes the existence of "a much less visible ideological threat at work as well, one that masquerades under the mantle of environmentalism itself." Thus, Lewis devotes *Green Delusions* to explaining and debunking several important strains of radical environmentalism.

There are, for instance, the Deep Ecologists. The "moderates" merely want to radically downsize human activity; the true radicals, whom Lewis calls "primitivists," are characterized by "blatant misanthropy and glorification of violence." A bit more positive towards humanity are quasi-classical leftists—the eco-anarchists and eco-Marxists. They differ from traditional Marxists in believing that economic growth cannot continue forever even under Communism, but still focus more on economic than environmental issues. Then there are the eco-feminists, many of whom, writes Lewis, "are actively reviving the goddess-centered cults that they believe once allowed humans to live in harmony with nature." Despite the presence of Marxists, many members of this odd amalgam are neither left nor right, but instead are simple authoritarians who are not just unconcerned about human freedom, but actively oppose it.

Lewis ably dissects the logical fallacies behind all of these philosophies. The radical position that primal peoples exemplified the proper harmony with nature, Lewis writes, is "so exaggerated as to verge on intellectual fraud." Moreover, he argues, small can be ugly as well as beautiful. Even more important, he recognizes the virtues of free choice. For instance, although he doesn't care for urban living, he acknowledges that "there is nothing intrinsically wrong with such a personal decision."

Similarly, Lewis is no technophobe, pointing out that scientific advances can help better protect the environment. Nor does he see population growth in the Third World as an unmitigated disaster. And he dismisses environmentalist tirades against capitalism by pointing to the environmental devastation in the former Soviet Union and Eastern Europe. "As is now abundantly clear, Marxism's record is dismal on almost every score, be it economic, social, or environmental. These failures cannot be dismissed as errant quirks; Marxian regimes have come to power in numerous countries, and everywhere the results have been disheartening."

For all of the strength of Lewis' analysis, he remains committed to an activist state to combat what he believes to be very serious environmental problems. What he wants is "guided capitalism," where "a new alliance of moderates from both the left and the

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right" press for "the environmental reforms necessary to ensure planetary survival." Of course, government's past guidance has seldom proved to be fiscally or environmentally sound.

Still, *Green Delusions* offers an important call for ecological sanity. And Lewis, coming from the moderate left, has more credibility than, say, Julian Simon in debunking the nostrums of the eco-radicals. Given the threat to liberty posed by the current administration and the more extreme environmentalists, people like Lewis could end up proving to be important allies of those who believe in individual liberty and fiscal responsibility as well as environmental protection. □

Doug Bandow, a contributing editor of The Freeman *and a Senior Fellow at the Cato Institute, is the editor of* Protecting the Environment: A Free Market Strategy *(Heritage Foundation).*

On Liberty, Society, and Politics: The Essential Essays of William Graham Sumner

edited by Robert C. Bannister

Liberty Fund, Indianapolis, Ind. • 1992
424 + xiii pages • $30.00 cloth
$7.50 paperback

Reviewed by John Attarian

Few thinkers suffer more at the hands of leftist statists than William Graham Sumner, routinely depicted as a heartless Social Darwinist and a reactionary bigot opposing social reform. Now that the activist government his critics craved has bogged in deficits and failures, Sumner deserves reconsideration.

This collection of 33 of Sumner's essays, some previously unpublished, facilitates that reappraisal, handily drawing together such important pieces as "The Forgotten Man," "Republican Government," "The Argument Against Protective Taxes," "Liberty," and "The Absurd Effort to Make the World Over."

Unbiased reading of Sumner dispels the left's caricature. In "The Forgotten Man" he does *not* oppose helping the unfortunate. What he *does* oppose is glossing over the fact that all aid comes at the expense of the "forgotten man"—the ordinary, thrifty, industrious, virtuous, law-abiding citizen. "Socialism" firmly defends private property—but sharply distinguishes liberty married to responsibility, which Sumner vigorously upholds, from license, which he condemns.

Some essays are especially timely. "Republican Government" warns that in assuming "a high state of intelligence, political sense, and public virtue" in the citizens, republican government demands too much of human nature. "The citizen must know how to obey before he can command, and the only man who is fit to help govern the community is the man who can govern himself." Our "greatest danger," though, is from special interests: They are organized and highly motivated, while the people are "ill-informed, unorganized, and more or less indifferent. There is no wonder that victory remains with the interests. Government by interests produces no statesmen, but only attorneys." Hence, he warns in "Democracy and Plutocracy," government intervention against business is unwise. Reformers will not wield government power forever; business will seek that power in self-defense, and resort to "all the vices of plutocracy," corrupting both business and government. All too true.

Repeatedly, Sumner argues that capital accumulation makes civilization possible. What harms capital drags down civilization. Our overregulation and tax-borrow-and-spend dissipation of capital and their harmful impact on our national life make Sumner again look far wiser than his critics.

"The Argument Against Protective Taxes" demolishes arguments for tariffs and exposes the heart of protectionism—indeed, of all redistribution:

> A wants protection, that is, he wants B's money. B does not want to let him have it. A talks sentiment and metaphysics . . . all there is in it is that he wants B's money. . . . He is then moved to scorn at B's sordid love of money. . . . For him to want B's

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money is patriotic. It is "developing our resources." It is noble. For **B** to want to keep the same money is mean. I insist upon the matter being stated in the most crass and vulgar way, just because that is all there is of it when the humbug is all eliminated.

Indeed one suspects that the real reasons for the left's animosity toward Sumner are his intolerance of humbug and sloppy thinking and his commonsensical, tough-minded insistence on hard truths: "There is no such thing on this earth as something for nothing"; "advantages are won at the cost of limitations"; imaginations must submit to facts. For Sumner, "the social order is fixed by laws of nature"; attempts to evade them are doomed and harmful. The schemes of socialists and other reformers are actually revolts against a reality unmindful of their yearnings. "They say that political economy is a dismal science and that its doctrines are dark and cruel. I think the hardest fact in life is that two and two cannot make five."

Unfortunately, Sumner's realism is rooted in philosophical materialism: an economic determinism as relentless as that of Marx and Engels. Drawing on Malthus, he argues that all social life derives from the ratio of population to land. A sparse population makes for democracy, peace, and prosperity; a dense population breeds land hunger, war, inequality, and aristocracy. In his materialism he sometimes manifests contempt for ideas; doctrines are "Nothing but rhetoric and phantasms"; ideals are "phantasms" with "no basis in fact." And, having exploded the facile doctrine of inevitable progress, and lapsed from his early Christianity, the materialist Sumner has nowhere left to go except into pessimism; and the last, prophetic essays ooze gloom.

But if Sumner misses the Christian hope that Parson Malthus held out in his much misunderstood theory of population, he has tremendous merits nonetheless. His hardheaded realism is an all-too-rare antidote to the half-baked wishful thinking pervading liberal and socialist discourse. His unbending integrity makes him brave enough to denounce the wildly popular Spanish-American War ("The Conquest of the United States by Spain") and to uphold liberty against the tide of statism. This volume is an excellent introduction to a keen, vigorous, and courageous mind. Its valuable foreword, judicious selection of essays, and reasonable price make it ideal for reaching the large audience Sumner deserves. □

John Attarian is a free-lance writer in Ann Arbor, Michigan, with a Ph.D. in economics.

The Catholic Ethic and the Spirit of Capitalism

by Michael Novak

The Free Press • 334 pages • $24.95

Reviewed by Ronald Nash

Michael Novak's name is familiar to most readers of *The Freeman*. For both old friends and new acquaintances, this newly published collection of recent Novak essays is worth reading.

Novak's title is an intentional play on the title of Max Weber's 1904 book, *The Protestant Ethic and the Spirit of Capitalism*. According to Weber, capitalism has important religious foundations, derived in large part from what Weber believed to be essential characteristics of Calvinism or Protestantism. Novak's version of capitalism is different from Weber's. Where Weber saw primarily individualism and calculation, Novak offers a vision marked by opportunity, cooperative effort, social initiative, creativity, and invention. Novak insists he is using the word "catholic" in two senses: (1) with a capital "C," where the word refers to Roman Catholic in opposition to Weber's "Protestant"; and (2) with a small "c," where the word refers to a broader definition of Christianity than Weber's.

When Novak talks about a Catholic ethic (capital "C"), he has three distinct things in mind: (1) The Roman Catholic approach to social ethics to be found in the thought of Pope Leo XIII and Pope Pius XI. Novak covers this material in part one of his book, examining in the process the years between

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1891, when Leon XIII issued his *Rerum Novarum*, to 1931. (2) The significant work of John Paul II from 1978 to the present, but with special emphasis on his 1991 encyclical, *Centesimus Annus*, issued on the centennial of *Rerum Novarum*. Novak's exposition and analysis of the 1991 encyclical constitutes part two of his book. (3) The third aspect to Novak's "Catholic Ethic," though he is too polite to say so, is his own considerable contributions to Roman Catholic social thought, especially in the last ten to fifteen years. Part three of his book contains three chapters that show off some of Novak's reflections on such issues as poverty, ethnicity, race, and other social problems in contemporary American life.

Novak's book succeeds in spite of a possible problem that sinks many similar projects. Because most of the chapters are previously published essays, the trick is fitting them together in a way that produces a unified theme. The careful reader will detect a few cracks in the project; but to make something of this fact would be uncharitable quibbling. One final observation is in order: Novak's "catholic ethic" (small "c") contains nothing that would exclude Protestant and Jewish defenders of capitalism. □

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The Market, Competition and Democracy: A Critique of Neo-Austrian Economics

by Stavros Ioannides

Edward Elgar Publishing Company, Aldershot, Hants, England • 1992 • xiii + 194 pages
$59.95

Reviewed by Israel M. Kirzner

Thoughtful Marxist economists have often, it appears, been fascinated by Austrian economics. Some 70 years ago Nikolai Bukharin (the eminent Marxist economist, who had attended Böhm-Bawerk's famous Seminar, and who was later to be executed by Stalin) perceptively pronounced Austrian economics (among all the schools of economic theory then on the stage) to be the principal intellectual enemy of Marxism. In the present volume we find a thoroughgoing exposition of modern Austrian economics together with a searching critique of it from the vantage point of "democratic socialism" (p. xi), reflecting the author's explicit acceptance of the Marxist perspective on the market system (see pp. 9–10). As such the volume will be of considerable interest to Austrian economists on several counts.

One source of interest will be that an obviously highly intelligent Marxist scholar has taken note of the developments in Austrian economics during recent decades, and has judged them to be of sufficient importance to warrant a careful and lengthy analysis and critique. This reflects, one may surmise, the judgment that the Austrian criticisms of neoclassical orthodoxy and the newer articulations of the Austrian understanding of markets and market processes, offer fresh threats to the older socialist criticisms of the market.

A second source of interest for Austrian economists will be the author's substantive exposition of modern Austrian economics (i.e., those late twentieth-century developments in the Austrian tradition which have sought to elucidate and elaborate the contributions of Mises and Hayek—whose portraits appear on this book's dust-jacket.) Dr. Ioannides has carefully examined a wide (if not quite exhaustive) range of Austrian writings. He has provided a lucid and largely accurate account of Austrian positions on perhaps the entire span of economists' concerns. Austrian economists would do well to read his exposition, not only for the clarity and sensitivity with which he so often accurately lays out Austrian arguments, but also for an appreciation for those points in his exposition where he unaccountably appears to have gone astray.

A third—but admittedly baffling and frustrating—source of interest for Austrian economics consists in the Marxist-inspired cri-

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tiques of the Austrian positions, with which Ioannides concludes each chapter. It is as if, two-thirds of the way through each chapter, the author suddenly donned Marxist spectacles and henceforward sees only fog where, up until that moment, he had clearly seen and understood the Austrian concerns and insights. Certainly these Marxist-inspired critiques, frustrating though they certainly must be for Austrians, offer valuable material for anyone desiring to identify the presumptions which permit the Marxist perspective to "see" economic facts and relationships so differently from the way those same facts and relationships appear to others.

The brief review will not seek to cover all points upon which an Austrian must be inclined to pronounce Ioannides' expositions inaccurate and his critiques unfair (or, at any rate, incomprehensible to a non-Marxist). We choose one example—but a centrally important example—of a puzzling interpretation of the Austrian position on one issue, and one example—again, a centrally important one—of what seems an unfair critique by the author of the Austrian position on a second issue.

Throughout the volume the impression is conveyed that the Austrian critique of government interventionism rests primarily on an Austrian "conception of economic phenomena as being fundamentally indeterminate" (p. 7). Because of this "fundamental indeterminateness" assumption held by Austrians, the author maintains, an "observer of economic phenomena can never predict the outcome of market processes and, consequently, the results of . . . intervention upon them" (p. 8). It is *this* consequence of the Austrian view, we are given to understand, which undergirds Austrian condemnations of interventionism. Now, if Ioannides meant by "fundamental indeterminateness" merely the unpredictability of market outcomes, as a practical matter, an Austrian might accept this as indeed one element—but certainly *not* the only or even primary element—in the Austrian critique of government intervention. But Ioannides rather clearly seems to be attributing to Austrians not only the view that market phenomena are unpredictable, but also that these phenomena are inherently and intrinsically indeterminate. For Ioannides the term "fundamental indeterminateness" is used (p. 80) to describe the position of the late Professor Ludwig Lachmann in his denial of any overriding stabilizing forces in markets (due to the fundamental subjectivism of individual expectations which drive the decisions taken during the market process). Since Ioannides recognizes (pp. 78–79) that Lachmann's position is by no means the dominant position among modern Austrians (since both Mises and Hayek emphatically recognized powerful stabilizing tendencies within markets), it is puzzling to read his assertions linking Austrian concerns about intervention to their alleged commitment to the doctrine of "fundamental indeterminateness." Certainly Austrians could marshal arguments quite distinct from those advanced by neoclassical theorists, against government intervention, which arguments do *not* rest on any "fundamental indeterminateness" premise—or even upon any de facto unpredictability of market outcomes.

As our example of what appears an unfair criticism of Austrian economics, we take Ioannides' insistence that Austrian economics suffers from a serious weakness in that it cannot provide what Ioannides considers to be a truly "dynamic" economics. This is a theme which recurs in the critical portions of chapters throughout the book. It is a theme which underlies Ioannides' assertion (p. 174)—forming a central conclusion of his book—that Austrian theory must, because of its alleged "static" character, fail to perceive how the true dynamics of the market tend to produce predictable results (in regard to property ownership distribution) which are sharply at variance with the Austrian view of the market as a system free of coercion. It is this theme, in fact, which permits Ioannides to satisfy himself concerning the "authoritarian"(!) "character of neo-Austrian theory."

This bizarre conclusion is reached by emphasizing the role of capital in the dy-

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namics of the market process: "the process which is of paramount importance for the understanding of social dynamics is the reproduction of capital, which in turn determines the reproduction of society itself" (p. 172). The ultimate "failure" of Austrian economics for Ioannides rests, it is thus apparent, on his question-begging *assumption* of the validity of a Marxist "objective" dynamics of capital-using processes of market production (i.e., a dynamics which arbitrarily rejects Austrian insights concerning the subjectivism of the decisions made by consumers in regard to the possibilities of saving and consumption). Only on the basis of this assumption is he able to identify as a weakness what *he* terms the "static" character of Austrian economics. Nowhere, except by assertion, does Dr. Ioannides *establish* the possibility of dynamic regularities, in regard to the capital structure of the market system, that might operate regardless of the subjective time-preferences of market participants.

These deeply disturbing aspects of Ioannides' critique of Austrian economics certainly underscore the ideological motivation which drives the entire book. If, in spite (or, as suggested earlier, partly because) of this, the volume retains substantial interest for Austrian economists, this must be judged a tribute to the quality of those passages in each chapter in which Ioannides has endeavored honestly to set forth the central ideas of Austrian economics within its own—rather than the Marxist—framework. □

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The Creators: A History of Heroes of the Imagination

by Daniel J. Boorstin

Random House • 1992 • 811 pages • $30.00

Reviewed by Raymond J. Keating

In *The Creators* historian and former Librarian of Congress Daniel J. Boorstin celebrates the individual's power of creation and imagination, literally across the span of human history. Boorstin's fine writing and intriguing insights—devoid of any ideological hyperbole—refresh the reader.

Boorstin illustrates how the creative nature of man often has had to overcome substantial obstacles, while being bolstered under alternative circumstances. For example, theological teachings have long influenced views about and incentives for creativity. Boorstin observes about Buddhisim: "If there was a creator, it was he who had created the need for the extinction of the self, the need to escape rebirth, the need to struggle toward Nirvana. The Lord of the Buddhists was the Master of Extinction. And no model for man the Creator." In a chapter entitled "The Uncreated Koran," the author concludes, "For a believing Muslim, to create is a rash and dangerous act."

Other beliefs nurtured man's creative nature. Boorstin states: "Across the world, the urge to create needed no express reason and conquered all obstacles. Still the West, whose unusual hospitality to the new was rooted in many causes and many mysteries, found added incentives in the vision of a Creator-God and a creator man." Throughout *The Creators*, Boorstin masterfully communicates the awe-inspiring creativity of man—in such realms as architecture, painting, sculpture, music, and, of course, the written word—whether reinforced or undermined by theological or cultural beliefs.

The author presents a wide variety of innovators and innovations. For example, in terms of architecture and building, Boorstin notes how the ancient Egyptians have survived through "their indestructible original works"—the pyramids. Meanwhile, the "Greeks survive through styles and motifs." Boorstin touches upon major architectural developments from these ancients to the "Gothic architecture of light" all the way up to the present day skyscraper.

In the world of music, Boorstin introduces the reader to Gregorian chants, and from there moves forward to touch upon the great composers, including Bach, Haydn, Mozart, Beethoven, Verdi, Wagner, and Stravinsky. The chapters covering Verdi

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and Wagner are representative of much of the book. Not only are the respective contributions of these great composers explored, but so are the personal lives, contrasts, and competition between these two contemporaries.

To say that Boorstin explores innovations in the written word fails to do justice. Theologians, historians, philosophers, essayists, biographers, novelists, poets—Boorstin reflects upon numerous literary arenas and developments. Again, he deftly ties together the personal lives, philosophies, and writings of great literary figures, such as Augustine, Dante, Shakespeare, Ben Franklin, Dickens, Whitman, Melville, and T. S. Eliot—naming but a few.

Seeking to write a history of heroes of the imagination is an epic undertaking. In the end, what Daniel Boorstin has achieved is an epic history of man's ability to create and innovate in the arts. Whether they were exploring the world around them, the self within, or both, these individuals examined in *The Creators* somehow influenced the world through their work. Some did so immediately, such as Dickens as reflected by his great popularity in his time. Others posthumously, like Melville, whose *Moby Dick* "twentieth-century readers would pour their own frustrations and ambiguities, making it one of the most popular vehicles for the modern self."

Still others influenced both their contemporaries and all posterity, with Shakespeare being among the most prominent. Boorstin notes what many in the so-called arts community today would deem a dichotomy: "For Shakespeare the claims of immortality were not pressing, it was more urgent to please contemporary London playgoers. . . . Within his twenty-year London career he had produced the poems and plays that made him the idol of English literature. The English-speaking community in all future centuries would be united by familiarity with 'the Bible and Shakespeare.'"

Interestingly, Boorstin's "Epilogue" touches upon the modern art of film-making. He makes a fundamental point that Shakespeare understood, but still many modern-day artists do not: "[T]he public had become the patron and had to be pleased."

There seem to be few historians today poised to meet the arduous criteria of both current "popularity" or respect, combined with the scholarship and writing abilities that withstand the tests of time. It is clear, however, that with such an auspicious effort as *The Creators*, in addition to a long list of previous triumphs, Daniel J. Boorstin shall prove to be more than just a temporal success. □

Mr. Keating is New York director of Citizens for a Sound Economy.

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